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ABSTRACT

The Jobs-Plus Community Revitalization Initiative for Public Housing Families, which is a national demonstration project in six cities, is testing ways to increase employment among pubic housing residents by combining changes in rent rules and other financial work incentives with employment and training services and social supports for work. The incentives being tested at each Jobs-Plus site were examined to identify how they can increase residents' net incomes and influence their decisions about work. The study documented that Jobs-Plus builds upon recent changes in welfare rules and the Earned Income Tax Credit by introducing flat or fixed rent steps, rents based on a lower percentage of income, lowering ceiling rents, rent credits, and escrow accounts. The importance of communicating all available financial supports for work to Jobs-Plus clients was emphasized. Across all housing developments and for a range of family circumstances, the Jobs-Plus rent rules gave residents more incentive to not only accept employment but also to choose full-time over part-time jobs and advance into higher-wage jobs than they had under the traditional rules. Jobs-Plus may have encouraged

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some residents, particularly second earners in two-parent families, to reduce their work hours. (Contains 36 notes, 25 references, 11 tables, and 10 figures.) (MN)

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Making Work Pay for Public Housing Residents: Financial–Incentive Designs at Six Jobs–Plus Demonstration Sites

Cynthia Miller
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Overview

Public housing rules that set rents as a fixed percentage of residents' incomes have long been thought to discourage residents from working. The *Jobs-Plus Community Revitalization Initiative for Public Housing Families,* a national demonstration project operating in six cities, is testing ways to increase employment among public housing residents by combining changes in rent rules and other financial work incentives with employment and training services and social supports for work. With its reliance on rent-based work incentives, Jobs-Plus anticipated some of the key provisions of the Quality Housing and Work Responsibility Act of 1998. This report describes the kinds of incentives being tested in each of the Job-Plus sites and explains how these strategies can increase residents' net incomes and influence their decisions about work.

Key Findings

- Even without rent reform, changes in welfare rules and the Earned Income Tax Credit (EITC) have made work substantially more rewarding for public housing residents over the past decade. Jobs-Plus builds upon these work incentives by introducing flat or fixed rent steps, rents based on a lower percentage of income, lower ceiling rents, rent credits, and escrow accounts. However, whether it pays for a resident to go to work depends not only on the rent rules but also on how much in welfare and Food Stamp benefits she stands to lose, whether she receives subsidized child care, and whether she receives the EITC. Thus, effectively communicating and marketing *all* available financial supports for work is an important feature of Jobs-Plus.

- Across all housing developments and for a range of family circumstances, the Jobs-Plus rent rules give residents more incentive not only to accept employment, but also to choose full-time over part-time jobs and to advance into higher-wage jobs than they had under the traditional rules.

- Jobs-Plus rent rules may encourage some residents, particularly second earners in two-parent families, to reduce their work hours. And under some plans, residents' incomes may fall over time unless they can increase their earnings to match the higher rent steps.

- Public housing authorities (PHAs) could gain or lose from Jobs-Plus rent reforms. Whether their total rent revenues increase or decrease will depend on the generosity of the rent reductions, the extent to which Jobs-Plus increases employment and earnings, and how many residents were working prior to the reforms.

The Jobs-Plus demonstration was conceived by its two principal funders, the U.S. Department of Housing and Urban Development and The Rockefeller Foundation, in collaboration with MDRC, which is managing and evaluating it. It is also supported by the other funders listed at the front of this report. Future studies will investigate what effects these promising approaches have on residents' employment and PHA rent revenues.

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Preface

For many low-income families, taking a job often does not pay, since it can lead to a loss in welfare payments, Medicaid, and other benefits. After paying for child care and other work-related costs, the family could conceivably be left worse off financially. More than most poor families, public housing residents knew that work might not pay because, on top of these other losses and new expenses, they faced a potentially steep increase in rent.

Recognizing the dilemma faced by low-wage workers, policymakers have enacted a series of measures over the past decade designed to make work pay. Many states now use more generous earnings disregards when calculating welfare grants, allowing recipients to keep more of their benefits when they go to work. And more and more states are extending income eligibility thresholds for health and child care benefits well beyond the poverty line. At the federal level, the Earned Income Tax Credit (EITC) has been expanded to provide substantial benefits to low-income working families. A missing component, at least for public housing residents, was rent reform. The 1998 housing law changed this by requiring public housing authorities (PHA) around the country to change the way rent is calculated when residents take jobs.

But what are the different strategies for increasing work incentives in pubic housing, and what will be their effects on residents? Findings from the Jobs-Plus Community Revitalization Initiative for Public Housing Families will provide an early look. Jobs-Plus is an ambitious effort to increase employment among public housing residents, and one of the ways it aims to do this is by changing the traditional public housing rent rules to reward work through new financial incentives. This document focuses on this key component of the program: rent incentives.

The report discusses strategies for creating work incentives through rent reforms put in place by public housing authorities in six cities across the U.S. It presents each site's incentive plan and the considerations that went into its design. It also previews the incentives' potential effects on employment by showing how they will affect residents' incomes when they work. The report also shows how other programs for low-income families, such as Temporary Assistance for Needy Families payments, child care subsidies, and the EITC interact with the rent rules and are important components of making work pay.

The findings presented here will be important for PHAs to consider as they implement the requirements and options of the new housing law. Future reports will discuss how the incentives were implemented, residents' perceptions of them, and ultimately, their effects on residents' employment and PHAs' rental revenues. We thank the residents and local partners for their willingness to test new approaches in the effort to find ways to increase employment and incomes in their communities.

Gordon Berlin
Senior Vice-President

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At the U.S. Department of Housing and Urban Development, Garland E. Allen and Joan DeWitt clarified federal rent policies for public housing and carefully reviewed earlier drafts of this document. Barbara Sard of the Center for Budget and Policy Priorities offered many helpful suggestions that rendered this report more accurate and relevant to housing policy discussions. We are also grateful to Julia Lopez and Robert Bach of The Rockefeller Foundation for their ongoing guidance and support.

At MDRC, Jennifer Dodge headed the effort to collect and analyze the data on each site's incentive plan, with assistance from Betsy Tessler. MDRC field researchers and site representatives — particularly Joyce King Gerren, Daniel Grulich, Carolina Katz, Ed Liebow, Jennifer Miller, Marilyn Price, and Ronald Register — helped explain and verify the accuracy of that information. Judith Gueron, Gordon Berlin, Craig Howard, John Wallace, and Linda Kato reviewed prior drafts of the report and suggested valuable ways to improve it. Assisted by Debbie Greenberger, Deborah Baker prepared the figures and tables and helped to fact-check the report. Louis Richman edited the manuscript, and Stephanie Cowell prepared it for publication.

Finally, we are grateful for the continuing commitment of the Jobs-Plus funders to the demonstration. They are acknowledged by name at the front of the report.

The Authors

I. Introduction: Financial Work Incentives and Public Housing

Over the past several decades, the quality of life in the nation's public housing developments has deteriorated, as many became places of high unemployment and concentrated poverty, usually reflecting and often magnifying the problems plaguing the inner cities surrounding them. Although many factors contributed to this situation, it is widely believed that traditional public housing rent policies played an important role by discouraging work. Because those policies set rent as a percentage of the resident's income, a substantial part of the extra income residents earn through employment goes toward paying higher rent.

The *Jobs-Plus Community Revitalization Initiative for Public Housing Families*, a national demonstration project launched in 1996, is testing ways to increase employment among public housing residents. Its approach includes providing new financial incentives for residents to work, and these incentives are created primarily — although not exclusively — by altering the traditional link between rent and earned income.[1] Jobs-Plus combines incentives with employment and training services and new social supports for work as part of a three-pronged, "saturation-level" intervention aimed at *all* working-age residents in the selected housing developments.

This report describes and analyzes how the program's financial incentives component has been structured in six sites, and it highlights some of the tradeoffs the alternative approaches entail. It also shows by how much the strategies can help residents increase their net disposable income by working, even at low-paying jobs, and it compares the payoff from working under Jobs-Plus rules to the economic returns residents would realize under traditional public housing rent rules.

Jobs-Plus anticipated some of the key reforms in federal public housing policies enacted as part of the Quality Housing and Work Responsibility Act (QHWRA) of 1998. This legislation included provisions that aimed to transform public housing developments into mixed-income communities with many more working residents (see box). Lawmakers believed that rent reform, which all public housing authorities must now implement, would be a critical tool for achieving this goal. Indeed, the legislation's rent provisions represented one of the most ambitious efforts to date to increase the degree to which public housing families benefit economically by going to work — what is often referred to in the welfare-to-work field as "making work pay." The QHWRA rent reforms were the culmination of years of debate over how to design rent policies that would support and encourage work while, at that same time, providing a housing safety net to protect residents with very low incomes, including those who could not work. The legislation specified a number of mandatory policies that all housing authorities would be required to implement, plus a number of optional policies.

Jobs-Plus's focus on resident employment, and its substantial reliance on rent reform as one mechanism for furthering that goal, aligns it well with the purposes of the 1998 public housing legislation. However, Jobs-Plus goes much further to promote resident employment than public housing authorities nationwide are even now expected to go. To encourage housing authorities to experiment with bold new approaches, the U.S. Department of Housing and Urban

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[1] For background on the Jobs-Plus demonstration, see Riccio, 1999.

Development (HUD), with Congressional approval, has made funds available to cover any losses in rent revenue the participating authorities might incur as a result of their Jobs-Plus rent reforms. Although potentially costly in the short run, these reforms may prove cost effective in the long run by encouraging larger numbers of residents to take and keep jobs than would otherwise be the case. One purpose of the demonstration is to test whether this is likely to be true.

The information in this report should be of interest to housing authorities nationwide as they strive to implement the mandatory QHWRA rent policies and consider optional strategies. It may also be of interest to a wider audience concerned about employment, welfare, and poverty because it shows how a variety of public housing, welfare, child care, and tax policies interact with earnings to affect the incomes of an important segment of the welfare population and other poor families. Future publications from the Jobs-Plus demonstration will examine in greater depth the sites' experiences in implementing these new incentives policies and how residents view them, their influence on residents' decisions about work, and their cost and fiscal consequences for housing authorities.[2] The Jobs-Plus research will also continue to analyze the sites' experiences implementing the employment and training and the "community support for work" features of the program model and the effects of the overall intervention on residents' employment rates, welfare receipt, and incomes. These impacts will be assessed in part by comparing trends in outcomes for residents in the Jobs-Plus developments with the trends for residents in comparable developments in the same cities.[3]

[2]The evaluation of the program is scheduled to end in 2003.

[3]Specifically, the effects of the program will be estimated using an interrupted time-series analysis, which compares changes in employment and other trends among residents of the treatment development with changes in the trends among residents of the comparison development. The Jobs-Plus and comparison developments were chosen randomly among housing developments that were deemed eligible for Jobs-Plus. See Bloom, 1997.

Changes in Federal Rent Rules for Public Housing Under the 1998 Housing Law

The Quality Housing and Work Responsibility Act of 1998 (QHWRA) changed public housing admissions, occupancy, and rent policies to achieve three goals: to bring higher-income working families into the developments, to encourage working families to remain as residents, and to encourage existing residents to work. Although the law included several mandates, it devolved a fair amount of authority to the local public housing authorities (PHAs) to set their own rent and admissions rules. Specific rules regarding the law's requirements have been worked out over time, and the final rules were issued in March 2000. (See Sard, 2000, and Devine, et al., 1999, for further details.)

Changes in How Rent Is Calculated

Under traditional public housing rules, rent was set at 30 percent of the family's "countable" (or adjusted) income, defined as total income minus certain deductions, or "disregards." The new law included several provisions that severed the tie between earned income and rent.

100 percent disregard of increased income from employment (mandatory). When calculating adjusted income to determine rent, PHAs are were required to disregard any increase in income resulting from employment for 12 months for tenants who had been receiving Temporary Assistance for Needy Families (TANF) benefits within the prior six months; those who have been unemployed for a year or more; and those who increase their earnings while participating in a qualifying job training or family self-sufficiency program. After this 12-month period, rent for the next 12 months would increase by only half of the amount it would have been raised under the traditional rules. PHAs were required to implement this disregard by October 1999. Alternatively, the PHA could have residents pay the higher rent and deposit the difference into an escrow account.

Flat-rent option (mandatory). PHAs must establish a flat rent for each apartment by October 1999. (For apartments already subject to ceiling rents or to caps on the amount of rent residents are required to pay at the time the new law came into effect, the PHA has until October 2002 to determine what the flat rent would be.) Tenants may decide at annual lease renewals whether to pay the flat rent or the traditional income-based rent. They are also free to switch to the income-based rent during the year if they find that they are unable to pay the flat rent. Because the PHAs must set them based on the market value of the unit, the flat rents might ultimately be too high to encourage many residents to go to work. Most residents may opt, instead, to continue paying the income-based rent.

Lower ceiling rents (optional). Under HUD's ceiling rent rules, residents are required to pay no more than 30 percent of their adjusted income for rent until their rent reaches the ceiling rate. Prior to QHWRA, the lowest ceiling rents a PHA was permitted to set could be no lower than the average operating cost it incurred. This rule left the ceiling rent for most units too high to benefit many tenants. Under the new rules, however, PHAs can set ceiling rents to as little as 75 percent of operating costs. In contrast to how ceiling rents are set, the flat rents are to be based on market value of the apartment. Thus, in areas with tight housing markets and high market rental rates, PHAs may have less incentive to use the option of lower ceiling rents since those rents may fall below the flat rents. Furthermore, the new law stipulated that after 2002, PHAs would absorb the cost of lost revenue from ceiling rents, but not from flat rents. (PHAs with both policies in place would feel the impact of the lost revenues immediately.)

(continued)

Changes in Federal Rent Rules for Public Housing Under the 1998 Housing Law (continued)

Additional income disregards (optional). When adjusting residents' income for purposes of calculating tenants' rent obligations, PHAs may establish additional income disregards that apply to all tenants or just to certain groups of them. For example, a PHA can disregard a proportion of total earnings or reduce adjusted income by subtracting specific work-related expenses. PHAs would have to absorb the cost of any of these optional policies.

Other Relevant Provisions

Preferences for new tenants. Before QHWRA's enactment, a limited number of public housing units could be set aside for higher income families. The new law repealed rules governing which types of families should receive preference and allowed local PHAs to set their own priorities. Although they must still set aside a minimum number of newly available units to families with extremely low incomes, they can assign the remaining units to families within a wider income range.

Poverty deconcentration. The law prohibits PHAs from concentrating very low-income families in particular developments or in particular sections of developments.

Minimum rents. PHAs may establish minimum rents of $50 or less, but they must exempt families who meet hardship criteria from this minimum.

TANF sanctions and rent. PHAs must reduce rent for families who experience a fall in income after losing welfare benefits, except in cases when the benefit loss is due to a failure to comply with TANF work-related requirements.

Community service. Adult residents must contribute eight hours of community service per month. Tenants who are employed, elderly, disabled, or meeting TANF participation requirements are exempt.

This report is organized into two parts. Part one begins by describing the Jobs-Plus demonstration and introduces the role of financial incentives as a core feature of the program model. It explains how the interaction of traditional rent rules with other government policies unrelated to housing, such as tax and benefit formulas, have discouraged work. This section goes on to show that, even though rent policies continue to play a critically important role, other policy changes, especially welfare reform and the expansion of the Earned Income Tax Credit (EITC), have begun to make it more advantageous for public housing residents to work.

The second part of the report describes the kinds of rent reform that public housing authorities have adopted for Jobs-Plus. It explains how the variety of approaches being tried — all of which move beyond the traditional income-based rent rules — can affect residents' disposable incomes and housing authorities' rent revenues.

Jobs-Plus was designed jointly by HUD, The Rockefeller Foundation, and the Manpower Demonstration Research Corporation (MDRC). The demonstration is funded mainly by HUD and The Rockefeller Foundation, with additional support from the U.S. Department of Health and Human Services, the U.S. Department of Labor, the Joyce Foundation, the James Irvine

Foundation, the Surdna Foundation, the Northwest Area Foundation, the Annie E. Casey Foundation, the Stuart Foundation, and the Washington Mutual Foundation; and BP.

II. Jobs-Plus: Combining Financial Incentives with Other Services and Supports

The Jobs-Plus program is currently operating in seven public housing developments in six cities (Los Angeles, Baltimore, Chattanooga, Dayton, St. Paul, and Seattle).[4] The Seattle site, which has obtained a federal HOPE VI grant to tear down and rebuild the development that originally housed Jobs-Plus, is no longer part of the national demonstration but continues to operate a Jobs-Plus program. The developments were chosen not because they were "typical," but because they were all places where a low proportion of residents were working and a high proportion were on welfare — in other words, places that stood to benefit from an employment initiative like Jobs-Plus.[5] They were also sites that together brought racial, ethnic, geographic, labor market, and housing market diversity to the demonstration. (See the box below for descriptions of the Jobs-Plus housing developments. For information on the characteristics of residents at each site prior to the start of Jobs-Plus, see Appendix Tables 1 and 2.)

The demonstration's national designers formulated the overall program model for Jobs-Plus to include three key components: employment-related services, financial work incentives, and community support for work. However, they left it up to local partnerships (or "collaboratives") to develop the specifics of each of these components and how to tailor them to local circumstances. In each city, the Jobs-Plus collaborative includes the local housing authority, welfare department, workforce-development system, a variety of social service providers, and the residents, themselves. MDRC provided collaborative members and program staff with technical assistance on the design and implementation of the program's key components.[6]

When developing the intervention, the demonstration's national designers weighed the experiences — both positive and negative — of a range of employment and training programs. For example, research showed that various welfare-to-work programs tested in the 1980s and 1990s offered recipients of Aid to Families with Dependent Children (AFDC) such services as job-search assistance, education and training, case management services, help with child care, and transportation assistance, among other supports. But while these were shown to increase recipients' employment and earnings and reduce their reliance on welfare, the effects were often modest, and the programs typically did not make families better off financially.

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[4]Cleveland was also a participating city, but it left the demonstration in late 1999. Several local factors contributed to a shift in the interests of the local housing authority, making it unfeasible for the agency to support an employment demonstration limited to a single housing development.

[5]The six cities were among seven that were originally selected, in 1997, from a pool of 42 cities that expressed interest in being part of this national demonstration.

[6]For an in-depth look at the experiences of the interagency and resident partnerships that were formed in each of the sites to implement Jobs-Plus, see Kato and Riccio, 2001.

JOBS-PLUS RENT INCENTIVES IN BALTIMORE

Development: *Gilmore Homes*

Number and type of housing units: 528 apartments in low-rise buildings

Demographics: Nearly all African-American

Other Community Characteristics: Largest development in the demonstration; located in Sandtown-Winchester, a West Baltimore area that has been focus of several community-building initiatives.

When Jobs-Plus rent plan went into effect: November 2000

Key considerations: Staff and collaborative partners wanted a rent structure that was easy for staff to implement and easy for residents to understand. In addition, staff recognized that the existing authority-wide ceiling rents were set at levels so high that residents in Gilmore Homes rarely earned wages high enough to benefit from them.

Principal features:

- **Rent is fixed** at 20 percent of adjusted income rather than 30 percent, as under traditional rules.
- **Ceiling rents** are reduced by 50 percent from the authority-wide level. Rent increases are capped at a level that allows families with higher wages or two wage earners to keep substantially more of their earned income.
- Through an **escrow savings plan**, working residents have half of their reduced rent deposited into a non-interest-bearing escrow account for each month they work over a consecutive 12-month period. At the end of each annual cycle (which falls in October), savings from these accounts are rebated to residents, to be used as they wish. Residents who report that they were not employed for 30 days or more during any 12-month cycle forfeit the savings accumulated during that period. Their rent also reverts back to the 30-percent-of-income rate.
- Because the Jobs-Plus rent structure is based on residents' income, the plan includes a **built-in safety net** that reduces rent if reported income declines.
- To **encourage families to stay together**, the housing authority allows households to add one additional adult to the lease without counting that person's earnings in calculating the household's rent, as long as he or she enrolls in Jobs-Plus. This feature complements the reduced ceiling rents that are likely to encourage work among other adults in the household.

Most of the recipients who went to work did not earn enough to offset the loss in welfare benefits.[7] More recent programs have tried to address this issue by combining employment and training services with enhanced financial incentives that make work pay. These typically allow recipients to keep more of their welfare benefits when they go to work or provide cash supplements to boost the income of low-wage workers. Recent evidence shows that several of these programs have been successful not only in increasing employment and earnings, but also in reducing poverty (see box). Some have also generated positive outcomes for young children.

The Jobs –Plus Approach

Saturation —

Reaching all working-age residents through:

Employment-related services	+	Financial work incentives	+	Community support for work	⇨	Big improvements in employment, earnings, and quality of life

Seeing in these results the potential value of enhanced financial incentives to work, the national designers of the Jobs-Plus demonstration have made them a component of the program model. Applied to Jobs-Plus, work incentives would be enhanced, in large part, by changing rent rules so that what residents pay for housing would not rise as rapidly when their earnings increased as it did under traditional rules. Jobs-Plus is certainly not the first attempt to revise rent policies in ways that might promote work; the view that public housing rent rules discouraged work has a long history. Indeed, housing agencies have for years had the authority to disregard earnings when calculating a family's rent as well as to apply other optional rent policies in order to reduce work disincentives. They have been reluctant to adopt these measures, however, because they would not have been reimbursed for resulting losses in rent revenues.

Since the early 1990s, housing authorities have also had the option to establish a Family Self-Sufficiency (FSS) program. FSS helps residents gain access to employment services and allows those who increase their earned income to have any corresponding rent increase they would be charged deposited into an interest-bearing escrow account. Residents would be able to tap the savings they accumulate in those accounts once they have successfully completed a self-sufficiency plan, or "contract," they and the housing authority have agreed to, have become employed, and, along with other family members, have received no welfare assistance during the contract's last year. However, fewer than half of all housing authorities operate an FSS program, and they are more likely to offer contracts to low-income families who receive Section 8 vouchers, or subsidies to live in privately owned rental housing, than to public housing tenants.[8]

The designers of Jobs-Plus also recognized the importance of social networks to public housing residents as a link to employment by the informal way they spread information about job

[7] For a summary, see Bloom, 1997.

[8] Only some 13 percent of the 54,108 families enrolled in the FSS program in November 2000 were public housing tenants, according to HUD data. See Sard, 2001.

JOBS-PLUS RENT INCENTIVES IN CHATTANOOGA

Development: *Harriet Tubman Homes*

Number and type of housing units: 423 occupied residences in one- and two-story buildings

Demographics: Nearly all African-American

Other Community Characteristics: About one-third of the housing units have been recently renovated; the surrounding area features several churches and many small and medium-sized commercial establishments.

When Jobs-Plus rent plan went into effect: November 2000.

Key Considerations: The partners sought to create an especially generous incentive during the initial period of the demonstration; develop an administration policy that would be easy to administer over the long-term; help participants to defray work-related expenses; and provide extra encouragement for young adults to work.

Principal features:

- **Rent is reduced** from 30 percent to 10 percent of adjusted income during the 16 months following the start of the Jobs-Plus incentive program.
- During a second phase, **rents are fixed** at 20 percent of adjusted income until the end of the demonstration.
- To **reduce the expense of commuting** to and from work, the income on which rent is calculated is reduced by $100 per month for families with a full-time worker to cover transportation costs. If two adults in a household are working full time, they each receive this transportation disregard.
- The **earnings of dependents ages 24 and under are not counted** as income when calculating rent. The traditional rent rules only disregard the earnings of those under age 18.
- **Working residents are not required to pay "excess" utility costs.** Utility charges for a given apartment can vary widely from month to month in the Harriet Tubman Homes. Jobs-Plus absorbs the price spikes.

opportunities and facilitate hiring.[9] In many low-income communities, however, residents' networks do not provide much in the way of job information or hiring advantages. To tap the potential value of social networks in ways that would promote and support work, the demonstration's designers set out to foster "community support for work" through such measures as neighbor-to-neighbor job-information sharing and mutual aid or peer support around employment issues. This measure was incorporated as the third component of the three-pronged program model.

Lessons and Cautions from Other Studies of Programs Offering Enhanced Financial Work Incentives

Will changing rent rules encourage many public housing residents to take jobs? The answer depends on how sensitive individuals are to changes in the payoff to work. It is easy to imagine, for example, that some people would not take a job in response to greater financial incentives because they face other barriers to employment. However, mounting evidence from welfare-to-work evaluations and studies of other policies targeted to low-income families shows that better financial incentives for low-wage workers can foster more employment and higher earnings, resulting in reduced poverty. These findings lend empirical support to the decision by the national designers of Jobs-Plus to include a financial incentives component in the program model.

- **Providing wage supplements and reducing the extent to which recipients lose welfare benefits when they go to work increases employment. The programs are most effective when the incentives are combined with work or participation mandates.**

A number of carefully evaluated welfare-to-work programs increased the financial incentive for recipients to work by increasing their "earnings disregards" — that is, the amount of earnings that could be ignored or "disregarded" when calculating the amount of welfare a recipient was entitled to receive (Michalopoulos and Berlin, 2000). Disregards have been more generous in these recent programs than they were under the old AFDC system and have had positive effects on employment outcomes. In general, programs that included this feature increased recipients' employment and earnings and increased the stability of their employment, as well. Most of the programs that have been evaluated combined the enhanced incentives with work or participation requirements; when only the incentives were offered, the employment increases were more moderate

Although the rent incentives in QHWRA and Jobs-Plus are not offered in combination with work mandates, residents receiving welfare are already subject to work requirements through welfare reform. However, lacking their own participation mandate, housing authorities may need to provide an especially strong employment message and services to back it up in order to maximize the effects of more favorable work incentives. Better coordination with welfare agencies could reinforce this employment message.

- **Incentives lead to larger increases in employment and earnings among long-term welfare recipients and others who are least likely to go to work on their own.**

(continued)

[9] See, for example, Dickens, 1999.

Lessons and Cautions from Other Studies of Programs Offering Enhanced Financial Work Incentives (continued)

In general, the financial-incentives programs had their largest effects among individuals who were least likely to have gone to work on their own. Effects were more modest for those who were working already or for those, including new welfare applicants, who would have returned to work without the incentives. For groups who were more disposed to work already, the program incentives provided a "windfall," meaning that the additional income did not influence their labor market behavior. A program that simply provides more benefits but does not generate much new employment or improve job retention will be less cost effective, but the higher program costs may be of less concern if one of the goals is to reduce poverty.

For housing authorities, providing financial incentives that lower rent for residents who are already working without increasing either employment among nonworking residents or job retention among those who are employed could result in costly revenue losses. At the same time, rent incentives would likely ensure that housing costs in the housing authority development would be lower than those on the private market, thus helping housing authorities achieve what for some is the important goal: keeping working families in public housing for longer periods of time. It is noteworthy that the evaluation of a Minnesota program that combined incentives, services, and mandates found that the program's positive earnings effects were largely concentrated among long-term urban welfare recipients who were living in public or Section 8 housing.

- **Some tenants may reduce their work hours if the enhanced financial incentives make it possible to do so without sacrificing income.**

Programs that try to reduce poverty by providing more benefits often have the unintended consequence of discouraging work through what economists refer to as "income effects." Giving people more income allows them to perform less paid work and still have the same standard of living as before. That inclination to reduce work hours was confirmed in a few of the programs studied — usually those that provided incentives without a work or participation mandate — and was particularly strong among second earners in two-parent families. One program overcame this effect by requiring that recipients work at least full-time in order to qualify for the incentives. Theoretically, at least, rent-incentives plans developed by housing authorities could lead to a similar reduction in work because many families would pay lower rent than they had before, though the consequences of this would not necessarily be negative. If some parents who are working long hours reduce their hours, it may help the family better manage child-rearing and work responsibilities.

(continued)

Lessons and Cautions from Other Studies of Programs Offering Enhanced Financial Work Incentives (continued)

- **Financial incentives in a variety of forms and combinations may be effective in helping low-income workers.**

Although most of the findings mentioned so far have been from welfare-to-work programs, incentives have been found to increase employment in a variety of contexts. Recent expansions to the EITC, for example, have been credited with increasing employment among single mothers (Meyer and Rosenbaum, 2000). The extensions of Medicaid eligibility have also been found to increase work (Yelowitz, 1995). Even a wage-supplement program that was run outside of the welfare system significantly increased employment among recipients (Michalopoulos and Berlin, 2000). What all of these programs had in common was that they made work pay. In addition, the welfare-to-work programs operated in the context of the very generous EITC, showing that incentives can increase employment when placed on top of other incentives. These findings are encouraging news for rent incentives, since the changes in rent rules will operate in the context of the EITC and TANF rules that, in most states, allow recipients to keep more of their benefits when they go to work.

Jobs-Plus was also conceived as a "saturation-level" intervention, extending a comprehensive package of services, incentives, and social supports to *all* working-age residents in the targeted housing developments. Taken together, these features make Jobs-Plus an unusually innovative and ambitious employment intervention.

All of the Jobs-Plus sites had begun to offer employment and training activities, including on-site employment resource centers, by early 1999 and became a highly visible presence in each of the targeted developments.[10] According to the sites' reports, the program had enrolled more than 2,500 residents by June 2001 and placed 1,300 into jobs. The financial incentives component was up and running in all sites by late-2000, though two sites, St. Paul and Seattle, had begun to offer incentives in 1998 and 1999, respectively.[11] By June 2001, the sites reported that close to 1,000 residents across the six demonstration cities had received Jobs-Plus rent incentives.

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[10]For an early look at implementation in each site, see Bloom and Blank, 2000.

[11]Issues arose between HUD and the congressional committee that oversees HUD's total departmental budget over how to cover the potential losses in rent revenues to local housing authorities that might result from these rent reforms. Although both were highly committed to supporting this feature of the Jobs-Plus program, finding an acceptable solution took until the spring of 2000 and contributed to well over a year's delay in the sites' ability to finalize and fully implement their incentives plans. Despite the long-term funding uncertainties, St. Paul took advantage of temporary funding approved by Congress and HUD to launch its incentives plan sooner than all other sites.

JOBS-PLUS RENT INCENTIVES IN DAYTON

Development: *DeSoto Bass Courts*

Number and type of housing units: 510 rowhouse residences

Demographics: Nearly all African-American

Other Community Characteristics: Close to bus lines connecting residents to outlying suburbs; location about 5 miles from county's one-stop job center

When Jobs-Plus rent plan went into effect: May 2000

Key considerations: Because affordable housing is readily available in the area surrounding De-Soto Bass Courts, program designers in Dayton set relatively low flat rents for Jobs-Plus in order to encourage working families to remain in the development for longer periods of time. They also wanted the Jobs-Plus incentives to reflect rules changes in QHWRA, which requires all housing authorities to establish flat rents as an alternative to income-based rent.

Principal features:

- The plan eliminates income-based rent calculations and replaces them with a simple **two-step, flat-rent system** pegged to apartment size. During the first step, which begins as soon as a resident signs up for the incentives, rents are set to about one-third of the normal market-based flat rent for a given-size unit for one year. This should result in most working residents paying a lower rent than under the income-based rules. In the second step, rent increases are limited to about one-half of the normal flat rent for a similar unit for the remainder of the demonstration.
- **Residents can choose** to pay rent according to traditional income-based rules if it is more beneficial. Although the flat rents are set at low levels, some part-time workers would be better off paying the income-based rent and may elect this option. This feature of the plan also serves as a **safety net** for residents who lose their jobs.
- In an effort to help **defray initial transportation costs**, working residents are provided with free bus passes until they receive their first paycheck. Dayton's plan also includes a van program for residents working in remote areas.

III. A Comparison of How Much It Paid for Public Housing Residents to Work in 2000 Versus 1990

Both Jobs-Plus and QHWRA place a high priority on rent reform because public housing rent rules have long been thought to discourage work. Under traditional rules, residents must pay 30 percent of their household's adjusted income, computed as income minus certain deductions for rent and utilities. Residents might be reluctant to take jobs, the argument goes, since part of their earnings will go toward paying higher rent. This rent policy operates like a steep tax on income: the higher the income, the greater the rent.[12] Although research showing how this policy affects residents' labor market behavior is limited, results from at least two studies suggest that housing subsidies tend to reduce employment among single mothers.[13]

Historically, work has not paid for public housing residents — but only partly because of the rent rules; the fact that residents lost other transfer benefits when they went to work also played an important role. Under the AFDC system, for example, welfare recipients who took jobs saw their benefits reduced by almost as much as they earned, and in states with low welfare grants, even a low-wage, part-time job could end a recipient's eligibility for welfare.[14] As a result, recipients were often no better off financially because they could not earn enough to offset the loss in benefits. After accounting for the loss of Medicaid coverage and the payment of child care costs, they were often worse off after going to work. This has been true for public housing residents as well, since many of them receive welfare. But this group also faced the added burden of an increase in rent if their earnings led to higher income. In a study completed in the early 1990s, one former welfare recipient living in public housing offered the following account of her financial situation when working compared to being on welfare:

> I was worse off when I was working than I am now. My rent went up, and I didn't get any food stamps. My food stamps stopped in the first week of working, and they were going to take my Medicaid away. Plus, I had to pay for part of the costs of child care. My rent went up from $34 a month to $109. My highest check was $110 for a week, so one whole check would have to go for rent. On top of that, I had to pay for the gas, light, and phone. When they told me I was going to lose my Medicaid, I quit working.[15]

Many residents found themselves caught in a "poverty trap" of either staying on welfare and remaining poor or going to work and remaining poor. This type of bind is unavoidable to some extent in any system that attempts to target benefits to low-income families and is especially insidious because it discourages work, which is thought to be the best route to long-term self-sufficiency.

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[12]See Newman, 1999.

[13]Currie and Yelowitz, 1998; Painter, 1998.

[14]Under AFDC, earnings of as much as $120 per month were disregarded in calculating the recipients' grant during the first 12 months of employment, and by as much as $90 per month thereafter. Disregards were also available to help cover the costs of child care.

[15]Pavetti, 1993.

Jobs-Plus Rent Incentives in Los Angeles

Development: *Imperial Courts* and *William Mead Homes*

Number and type of housing units: Imperial Courts: 481 apartments in low-rise buildings; William Mead Homes: 414 apartments in low-rise buildings

Demographics: Imperial Courts: African-American and Latino; William Mead Homes: 80 percent Latino with many of remainder of Southeast Asian origin. More than half of all households have two or more adults.

Other Community Characteristics: Imperial Courts: Located close to Alameda Corridor, an area that has been the focus of concentrated development efforts; William Mead Homes: Located at northern end of the Alameda Corridor.

When Jobs-Plus rent plan went into effect: May 2000

Key considerations: The partners wanted to test the viability of a long-term flat rent policy in two Jobs-Plus developments with an approach that would maximize benefits to residents in terms of lower rents while minimizing rent revenue losses for the housing authority.

Principal features:

- Residents are charged according to a **two-step rent structure**. During the first 18 months after the start of the Jobs-Plus incentives, residents' rents are frozen if their current rent is less than the Jobs-Plus flat rent, or reduced to the proposed flat rent if their current rent is higher than the proposed flat rent. After 18 months, rent is increased to the flat rent for all participating families.
- **Flat rents based on bedroom size are set equal to the average rent** paid by working and non-working families in the two developments prior to the start of Jobs-Plus.
- Residents' **rent does not increase as earnings increase** or as additional household members begin to work.
- **Residents can choose** to have their rent calculated according to traditional rules at 30 percent of income as an alternative to paying the Jobs-Plus flat rents if their earnings fall.
- Residents who were not employed or enrolled in a training program before enrolling in Jobs-Plus accumulate a **rent credit** equal to 1/12 of one month's rent for each month they are employed or in training during the first year of the program. The maximum value of the credit may grow to the equivalent of one month's rent and may be used at any time during the subsequent year.

Today the situation is much different, thanks largely to a series of antipoverty policies enacted during the 1990s having nothing to do with public housing rules. Provisions of the 1998 federal housing law provide additional benefits for public housing residents and also helped to eliminate certain disincentives created by traditional rent rules. (And as will be seen, an even broader set of rent policies designed to encourage work are being tested in the Jobs-Plus sites.) This section illustrates how — and by how much — changes in national policies have helped to improve the rewards from working at low-wage jobs.

- **At the same wage levels, work pays much better now than in the early 1990s.**

Following the 1996 federal welfare legislation, most states changed their welfare rules to prevent recipients from losing all of their benefits when they go to work. Also, most recipients may now keep their Medicaid coverage for one year after leaving welfare (whether they work or not). Depending on rules of the state in which they live, many become eligible for subsidized health coverage when that period expires, and their children are likely to remain eligible for Medicaid or for coverage through the Children's Health Insurance Program. Perhaps the most important factor in making work more attractive financially, however, is the EITC. Greatly expanded during the 1990s, the EITC now provides substantial benefits to working families — as much as $3,888 per year for a working single mother with two children.

To illustrate the improved returns from working, Figure 1 compares the estimated net income (after paying rent) in 1990 and in 2000 of a single mother with two young children living in public housing in Dayton, one of the Jobs-Plus sites and a city where welfare grants are somewhat below the national average. A "best case" scenario, this example assumes that the resident receives all of the major income supports for which her family qualifies as well as all incentives available to low-income people (such as child care subsidies and the EITC). The top graph presents the estimate of net income on a monthly basis; the bottom graph shows the estimates on an annualized basis and assumes that the person's employment status remained constant for the entire year.[16] In 1990, her net monthly income (adjusted for inflation to year-2000 dollars and including the accrued monthly value of the EITC) would be $600 if she did not work. If she worked full-time at $6 per hour, her net monthly income would be $825 — a gain of just $225 for an entire month of full-time work. Assuming she held the same job in 2000, by contrast, her net income would be $1,214 per month, or $666 higher than if she did not work at all. Over the course of a full year, the gain in income derived from working would amount to $7,992 in 2000, compared to only $2,699 in 1990. Thus, the typical public housing resident has a much greater incentive to go to work today than she did a decade ago.[17]

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[16] A monthly perspective is helpful in making these calculations because it is more common to think about rent, welfare, and Food Stamps on a monthly basis. Moreover, many low-income families do not work steadily throughout the year. On the other hand, an annual perspective can be helpful given that most people who get the EITC receive it in a lump sum annually; it is not part of their monthly cash flow. Thus monthly EITC estimates refer to the accrued monthly value of that credit. Annual income estimates also make it easier to compare income amounts to national poverty levels, which are presented in annual terms. Although some estimates in this report are presented on an annual basis, most are presented on a monthly basis.

[17] In some states and for some types of families going to work left the family with *less* income than not working, depending on the welfare and child care subsidy rules they faced. See Riccio and Quets 1996 for an example.

JOBS-PLUS RENT INCENTIVES IN ST. PAUL

Development: *Mount Airy Homes*

Number and type of housing units: 296 apartments in a mix of low-rise and high-rise buildings.

Demographics: 65 percent of residents are of Asian origin, mostly Hmong; increasing Latino population.

Other Community Characteristics: Located about one mile from downtown St. Paul. Extensive renovations have transformed the building through the addition of pitched roofs and porches.

When Jobs-Plus rent plan went into effect: December 1998

Key considerations: The partners sought to create a rent incentive plan that provided the largest benefits early on, with a steady progression of rent increases through the end of the demonstration.

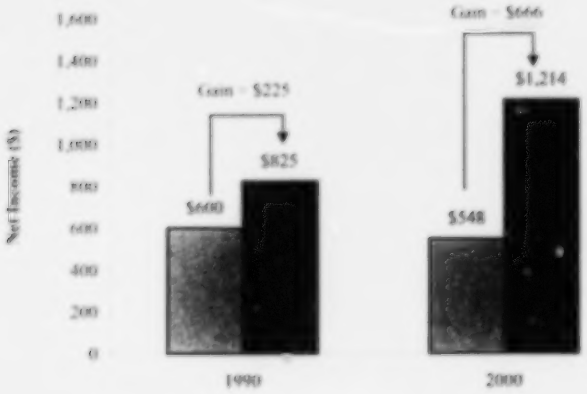
Principal features:

- During the first year the Jobs-Plus incentives were in effect, **100 percent of residents' earnings were disregarded** in calculating their first-year rent.
- In sequential **rent steps** during the second through the fifth year of the plan, rents are tied to the authority-wide ceiling rents (which were also adopted as the new QHWRA flat rents). Thus in year two, rent is capped at 45 percent of the authority-wide ceiling rent. In years three, four, and five, they are set at 60 percent, 75 percent, and 90 percent of the ceiling rent, respectively. The rent steps take effect by calendar year, meaning that residents enter the step that is in effect during the year in which they sign up for the program.
- Since families in Jobs-Plus pay their own utility bills, rent at each step is reduced by a **utility allowance**. Thus, rent increases each year but is always lower than rent in the other developments.
- **One month of rent is free** for residents who enroll in Jobs-Plus and at the beginning of the year for residents who had earned income in each of the 12 preceding months.
- A **rent credit** of $25 for each month the household has earned income during years two through five. The credit can be used to pay rent after the demonstration or taken as cash if the family leaves the development.
- Residents who sign up for Jobs-Plus may choose to pay rent under Jobs-Plus rules or under traditional rules, which calculate rent as 30 percent of adjusted household income. At each recertification period, residents who chose to pay Jobs-Plus flat rents **can opt to revert to the traditional rent rules,** which may be to their advantage if their income falls. Adding to this **safety net** feature, **rent may be reduced** to $25 for up to two months per year for residents who suffer an income loss and cannot find another job immediately.

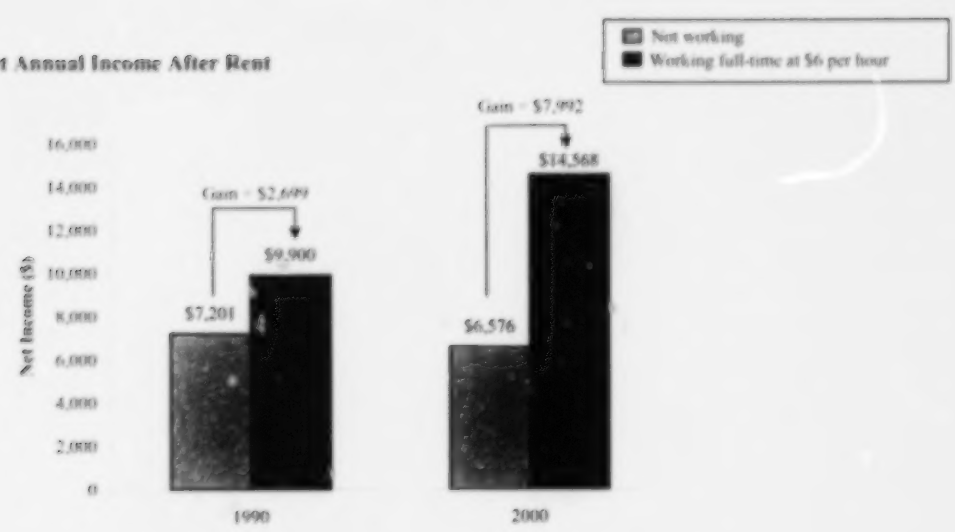
Figure 1

How Much It Paid to Work in 1990 Versus 2000[a]

A. Net Monthly Income After Rent



B. Net Annual Income After Rent



SOURCE and NOTES: See Table 1. The single parent is assumed to be a public housing resident who receives all benefits (including child care subsidies and the Earned Income Tax Credit) for which she is eligible. The figures for 2000 are calculated using the provisions of QHWRA, which disregard 100 percent of income for 12 months. Rent payments are included in the calculation of net income. The annual estimates are derived by multiplying the monthly estimates by 12.

[a]Calculations based on the example of a single parent of two children living in Dayton, Ohio, who earns $6 per hour when working.

JOBS-PLUS RENT INCENTIVES IN SEATTLE

Development: *Rainier Vista Gardens*

Number and type of housing units: 481 residences in low-rise buildings

Demographics: Many residents are immigrants from Asia and East Africa; more than 20 languages spoken

Other Community Characteristics: Originally constructed to house aircraft workers during World War II, the development will be razed and rebuilt in stages under a Hope VI grant from HUD. Although it is no longer part of the national Jobs-Plus demonstration, Rainer Vista Gardens continues to operate a Jobs-Plus program.

When Jobs-Plus plan went into effect: September 1999

Key considerations: The plan developers wanted to encourage residents to work, to increase their earnings, and eventually to progress toward paying market-rate rents for their housing.

Principal features:

- The traditional rent structure is replaced with a **series of rent steps** that gradually increase to market rates. During step one, which lasts two years, residents' rent is frozen at its current level. It is then increased every two years to 40 percent (step two), 75 percent (step three), and, in the final step to 100 percent of prevailing market rents in the surrounding community. The rent steps begin when participants enter the program, and residents can start in any step they choose. Thus, a resident who is already paying a high rent might choose to begin in step two rather than have her rent frozen at its current level.
- Beginning in step two, a portion of the resident's rent is deposited into an interest-bearing **escrow account**. Assets in the accounts may accumulate to a maximum of between $8,000 and $10,000, depending upon the size of the resident's apartment, and the resident may tap those savings at any time for use as a down payment on a house, to pay for additional education, or to start a business. Once they have saved the maximum amount, moved out of public housing, or no longer rely on Section 8 subsidies, residents may use their savings for any purpose they choose. Residents have access to up to $1,000 from their escrow funds to be used for employment-related emergencies.
- As a **safety net**, families who cannot pay the flat rent can have their **rent reduced** to as little as $25 per month for up to three months over a 12-month period. In some cases, the Jobs-Plus rent review board may develop a unique rent plan for families who cannot pay the flat rent. A resident wishing to revert from paying the flat rent to the traditional income-based rent must seek the approval of the rent review board.

Work pays much more these days for several reasons: the individual cited in the example does not lose all of her welfare benefits when she works, she receives more benefits from the EITC, and finally, her rent does not go up.[18] The following sections illustrate the effects of each of these changes.

- **Changes in welfare and tax rules have increased the payoff to work.**

Table 1 presents a breakdown of income and expenses for the hypothetical public housing resident profiled in the earlier example.[19] The left side of the table shows income and expenses in 1990; the right side shows the same data for 2000.[20] Considering the 1990 case first, had she taken the $6 per hour job, she would have gained $1,039 in earnings but lost all of her welfare benefits.[21] It is assumed in this scenario that child care expenses, a potentially prohibitive economic barrier to employment if paid out of earned income alone, are covered through available subsidies.[22] She would pay transportation costs and some income taxes, but she would also receive the EITC to offset some of those outlays. The net result of these gains and losses is that, even though her earnings rose by $1,039 after taking the job, her net income — even before considering the amount of additional rent she would be required to pay — increased by only $397. The $642 she "lost" can be viewed as an implicit tax on her earnings of more than 60 percent ($642/$1,039 = 61.8 percent). Put another way, because she had to work 40 hours per week to increase her net income by $397 per month, she increased her net income before paying rent by just $2.29 for every hour she worked.[23]

By 2000, this resident's net income would have increased by much more had she worked at a job paying the same wage. Under Ohio's new TANF program, she would benefit from the greater amount of earnings the state disregards when determining her welfare grant (in this case, $42 in benefits when working full time). Note that the inflation-adjusted grant amount is higher in 1990 than in 2000, reflecting the fact that benefits are not routinely adjusted for inflation. However, the key difference for purposes of this analysis is the more generous earnings disregard.[24] She also accrues much more ($324 per month) in EITC benefits, enough to make the tax credit a particularly important work incentive.[25]

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[18]Changes in federal housing law at the time of the passage of the Family Support Act of 1988 called for housing authorities to disregard for 18 months incremental increases in residents' income due to employment resulting from participation in qualifying job training programs.

[19]For an analysis of the new TANF policies in several states, see Acs et al., 1998.

[20]The numbers in the table are adjusted to account for inflation between 1990 and 2000.

[21]Under the old AFDC rules, during her first four months of work, the first $120 and one-third of any remaining earnings was disregarded when calculating benefits, after which each dollar of earnings reduced benefits by one dollar. During the next eight months, $120 was disregarded, and after 12 months, only $90 was disregarded.

[22]The net out-of-pocket child care expenses shown in Table 1 are payments deducted from the resident's income in determining her rent. Thus, one-third of these expenses are compensated for by lowering her rent.

[23]This number is derived in the following way: ($397 per month) / (40 hours per week x 4.33 weeks per month) = $2.29 per hour.

[24]One result of the more generous welfare disregards is an increase in rent under traditional rent rules, since the resident's adjusted income after those disregards are applied is higher. However, a higher rent is not seen in this example because the resident has somewhat higher net child care expenses, which are subtracted when determining her adjusted income.

[25]As previously noted, although EITC benefits are shown as monthly income, most tax filers actually receive the refund as a one-time payment each year.

Table 1

The Gain from Working in 1990 Versus 2000[a]

	1990[b]			2000		
	If Not Working	If Working Full Time	Change	If Not Working	If Working Full Time	Change
Income ($)						
Earnings	0	1,039	1,039	0	1,039	1,039
AFDC/TANF	440	0	-440	373	42	-331
Food Stamps	260	151	-109	263	132	-131
Child care subsidies	0	1,142	1,142	0	1,105	1,105
Earned Income Tax Credit[c]	0	105	105	0	324	324
LESS:						
Work expenses/subsidies ($)						
Child care costs[d]	0	1,169	1,169	0	1,169	1,169
Transportation	0	65	65	0	65	65
Taxes	0	106	106	0	106	106
EQUALS:						
Net income (before rent) ($)	700	1,097	397	636	1,302	666
Net income per hour of work ($)	n/a	6.33	2.29	n/a	7.52	3.85
LESS:						
Rent ($)						
Rent under traditional rules[e]	100	272	172	88	281	193
Rent with QHWRA earnings disregard	n/a	n/a	n/a	88	88	0
EQUALS:						
Net income (after rent) ($)						
Under traditional rent rules[e]						
Net income	600	825	225	548	1,021	473
Net income per hour of work	n/a	4.76	1.30	n/a	5.89	2.73
With QHWRA earnings disregard						
Net income	n/a	n/a	n/a	548	1,214	666
Net income per hour of work	n/a	n/a	n/a	n/a	7.01	3.85

SOURCES: State AFDC and TANF rules, 1990 and 2000 Greenbook, state and federal tax rules, state child care subsidy rules, and local PHA rent rules.

NOTES: The estimates assume full-time work is for 40 hours per week, and that this parent needs full-time child care for both children. Child care costs are assumed to be $3 per hour, per child, for 45 hours per week.

Where a calculation is not applicable, "n/a" is used.

[a]Calculations are based on the example of a single parent of two children living in Dayton, Ohio, who earns $6 per hour when working.

[b]The dollar figures in 1990 have been adjusted for inflation to reflect their value in the year 2000.

[c]The Earned Income Tax Credit is usually received as an annual lump sum. For this table, the annual amounts have been prorated to show their average monthly values.

[d]In this example, the parent in 1990 would have a net out-of-pocket child care payment of $27 per month ($1,169 cost of care minus a $1,142 subsidy). In 2000, the same parent would have a net out-of-pocket payment of $65 per month ($1,169 cost of care minus a $1,105 subsidy).

[e]Under traditional rules, rent is calculated at 30 percent of adjusted income. Adjusted income is equal to pretax earnings plus cash welfare benefits, less a $40 deduction per child and a deduction for out-of-pocket child care costs.

[f]The calculations apply the provisions of the 1998 housing law (QHWRA), which disregards 100 percent of new earnings for 12 months for certain residents.

In this example, the tax credit more than offsets the loss in TANF benefits. Overall, this resident increases her net monthly income before rent by $666 when she takes a full-time job in 2000 — 68 percent or $1.55 more when calculated on a per hour basis before factoring in rent than the additional $2.29 per hour she would have gained in 1990. (Of course, the new time limits on welfare receipt may also increase the incentive to go to work, by reducing the opportunity of recipients to rely on welfare as an alternative to earnings.)

- **The rent incentives in the 1998 housing law also increase the financial rewards of work.**

Public housing is not guaranteed to all families who meet eligibility criteria, but public housing benefits are structured in much the same way as most other public assistance programs. Like welfare benefits and other transfer payments, rent subsidies are decreased as the recipient's income increases — functioning, in effect, as a tax on the additional earnings. Looking again at the Dayton example, 52 percent of the hypothetical working mother's 1990 earnings would have been offset by reductions in AFDC and Food Stamp benefits — an implicit tax rate higher than that faced by most wealthy Americans. Another 17 percent of earnings would be offset by an increase in rent under traditional federal rent rules in effect prior to the 1998 housing legislation (see box), further raising the effective tax rate for this wage earner.

Through a variety of provisions — some mandatory, others left to the discretion of housing authorities to apply — the public housing legislation passed in 1998 reduces the amount by which rent will increase as a tenant's income rises. For example, the legislation obligates housing authorities to set flat rents that would not vary with income, and it allows residents to choose whether to pay the flat rent or to stay with the traditional income-based rent. It also requires housing authorities to disregard for 12 months all income increases resulting from higher earnings for certain groups of residents who go to work, including TANF recipients and residents who had been unemployed for a year or more. After this 12-month period, only half of the household's increased earnings are counted in calculating rent.

How Much Are Residents' Earnings Gains Offset by Losses in Other Income and Rent?

Sample Case: A single mother with two children living in public housing in Dayton and working full-time for $6 per hour

Income and Rent Changes Caused by Earnings Increase		Implicit Tax on Earnings 1990	2000
1. Reduction in AFDC/TANF	*...is equivalent to...*	42% *of earnings*	29% *of earnings*
2. Reduction in Food Stamps	*...is equivalent to...*	10% *of earnings*	13% *of earnings*
Total earnings offset from 1 and 2		***52%***	***42%***
3. Increase in rent under income-based rent rules	*...is equivalent to...*	17% *of earnings*	—
Total earnings offset from 1, 2, and 3		***69%***	—
4. Change in rent with QHWRA 12-month disregard	*...is equivalent to...*	—	0%
Total earnings offset from 1, 2, and 4		—	***42%***

Although these provisions have not yet been fully implemented, the potential effect of the new policies can be seen on the right-hand side of Table 1. If the hypothetical single-mother in this scenario does not work, her rent would be set at 30 percent of income, or $88 per month. If she takes the job, her rent remains at $88 per month because all of her new income would be ignored under the QHWRA disregard. (Without the disregard, her monthly rent would have increased to $281.) Under the new rent rules, she keeps the entire $666 of additional income per month, increasing the average value of each hour of work to $3.85 (as compared to $2.73 under traditional rent rules).

- **Public housing residents who are thinking about work seem to focus strongly on rent, even though rent rules were only part of the problem.**

Public housing residents are keenly aware of the fact that their rent will increase when they go to work, leading in many cases to the perception that work does not pay — even when it clearly does. Welfare reform, the enhancement of the EITC, and other policy changes have helped to increase the rewards from working for low-income families. Even prior to the recent policy changes, rent rules did contribute to the high implicit tax rates faced by residents who went to work, but they were only part of the problem. The reduction in welfare benefits has always led to a much higher implicit tax on earnings than the rent increase.

Nevertheless, perceptions still exert a strong grip on public housing residents' thinking about work. In a survey conducted by MDRC at the Jobs-Plus housing developments just before Jobs-Plus started, residents identified rent increases most frequently as posing a "big problem" for them if they were to go to work full time (see box).[26] Rent incentives may thus be especially powerful not only by changing the actual rewards of working, but also by the effect they have in changing residents' perceptions about the economic value of work.

BARRIERS TO FULL-TIME EMPLOYMENT

How big of a problem would full-time work create for you with each of the following? No problem, a small problem, a pretty big problem, or a very big problem?

	Percent saying a pretty big or a very big problem
Making sure your children are okay while you're working	27%
Traveling to and from work	18%
Worrying about your safety if you have to travel after dark	40%
Losing benefits because you make too much money	28%
Having your rent increase because you make too much money	**46%**

As evaluations of other financial incentive programs have shown, how well these policies are marketed to residents will be key. Residents must know about and understand the new policies and come to believe they will help to make work pay. In addition, it will also be essential for Jobs-Plus to make sure that residents are aware of and receive not just the rent incentives but *all* of the benefits to which they are entitled. Child care benefits and the EITC, for example, are critically important for some working families. As the hypothetical Dayton example illustrates, residents can be better off working even without changes in rent rules, but only if they receive these other supports. Yet, not all families receive the full complement of benefits. It is estimated that the child care subsidy program serves only 15 percent of eligible families nationally,[27] and estimates of EITC participation range from 60 to 80 percent.[28] Furthermore, on the pre-Jobs-Plus survey, only 40 percent of residents said that they had heard of the EITC. Thus, educating residents about how — and by how much — a low-wage job can improve their incomes must be given high priority by Jobs-Plus if the incentives are to have their intended effect of encouraging residents to go to work.

In an effort to help Jobs-Plus staff explain and "sell" the incentives to residents, MDRC developed a web-based program called the "Income Calculator" (see box).[29] The Income Calculator takes a resident's rent, current or expected earnings, welfare receipts and other transfer benefits, deducts taxes, transportation expenses, and other work-related costs, and quickly com-

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[26]Survey respondents were working-age household heads. Jobs-Plus Baseline Survey Data Resources Book, Vol. II, 1999 (unpublished).

[27]Blau, 2000. The author cites anecdotal evidence that many providers are unwilling to accept children with subsidies because the subsidy rates are far below the provider's actual rate.

[28]Scholz, 1994; Hill et al., 1999.

[29]The Jobs-Plus Income Calculator was developed with the help of the Environmental Health and Social Policy Center in Seattle, which is also assisting with field research at the Seattle Jobs-Plus site.

putes his or her net income. With this calculation, it is possible to dem7onstrate by how much the resident's net income would change if he or she went to work, and it also makes clear how net income would vary depending on the wage rate and the number of hours worked per month. MDRC is working with staff at all of the Jobs-Plus sites to help refine and strengthen their efforts to educate residents on the financial incentives, including how best to make use of the Income Calculator.

JOBS-PLUS INCOME CALCULATOR
A WEB-BASED COMPUTER TOOL TO DETERMINE: DOES IT PAY TO WORK?

ENTER:	Resident's expected wage rate, hours of work per week, work-related costs, and rent
GET INSTANTLY:	Resident's projected net income, after adjustments for changes in welfare and food stamp benefits, taxes, the EITC, and rent
COMPARE:	The effects on net income of working at different wage rates and different numbers of hours each week.
LEARN:	How much, if at all, is the resident financially better off working than not working? Working full-time rather than part-time? Working at a higher-wage job?

* * * * *

All entries are confidential and the data from each session are not saved for any purpose.

WEB ADDRESS: *www.jobsplus-workpays.net*

IV. Issues and Options in Designing Work-Promoting Rent Policies

The incentive policies adopted in each Jobs-Plus site reflect choices made by the local collaborating partners, with the housing authorities and residents exerting the most influence over this feature of the program.[30] The sites' approaches are consistent with the requirements of the 1998 public housing reform legislation, but they go even further in their scope and generosity.[31] MDRC provided guidance and technical assistance to each site, outlining some of the consequences, positive and negative, of different policy options and providing reactions to ideas as they emerged. MDRC also reviewed and prepared written assessments of the nearly complete plans each site prepared and submitted to HUD for final approval prior to implementation.

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[30]See Kato and Riccio, 2001. Residents provided a substantial amount of input into the rent incentives plans in several sites. In Seattle, for example, residents were invited to participate in a series of development-wide "town hall meetings" to elicit their input and feedback on an incentives plan as it was taking shape. In St. Paul, a special survey of residents' views conducted during the program planning stage raised a number of their concerns and preferences which were ultimately addressed in key elements of the plan.

[31]Depending on the site and the stage of the Jobs-Plus plan, the earnings-based income exclusion under QHWRA may be a more generous *short-term* option for certain residents. In principle, residents at the Jobs-Plus sites are to be offered the best option, but this may not always happen in practice.

MDRC and HUD established a number of guiding principles for the sites to follow in designing their plans. These are discussed more fully in later sections of the report, but they include the following:

- Residents should be financially better off working than not working, even after they pay their rent;
- Working full time should benefit them more than working part time;
- Higher-wage jobs should leave them better off than lower-wage jobs;
- Work should pay for different types of residents (e.g., those on welfare and those not on welfare, and those in larger families as well as those in smaller families);
- Work should pay more under Jobs-Plus than it does under the traditional rent rules; and
- Housing authority rent revenues should eventually increase as more residents work, making the incentives cost effective in the long run.

Across the Jobs-Plus sites, the new incentives include changes in the rules for calculating rent to ensure that as a family's earnings grow, its rent does not rise as quickly or by as much as under traditional rules. Most plans also include other forms of assistance to supplement tenants' earnings or offset their work expenses. At the same time, the sites' specific approaches differ in important ways. This variation reflects differences in local perspectives on what strategies might work best given local circumstances. In some cases, local incentive policies might be used to encourage working residents to remain longer in public housing, to move into the private housing market, or perhaps even to become homeowners.

As previously mentioned, HUD, acting with Congressional approval, agreed to hold the Jobs-Plus housing authorities harmless from any loss in rent revenues they incurred as a result of the experimental rental policies they tried during the course of the demonstration.[32] Such losses could occur partly through "windfall effects" whereby residents who were working before the new rent policies went into effect would enjoy a reduction in their rent for doing what they were already doing. Consequently, in order for the housing authority's overall rent revenues to remain unchanged or increase, more residents would eventually have to work and thus pay higher rents than they would be paying if they were not working (even though this higher rent would be lower than what they would pay if working under the traditional rules).

Because there was no guarantee that Jobs-Plus's rent reform and other services and supports would increase residents' employment and earnings, the housing authorities believed that they risked a revenue shortfall. HUD's regular operating subsidies, which make up the difference between a housing authority's basic operating costs and the total amount of rent it collects, do not compensate for any losses incurred from the use of optional rent-based work incentives.

[32]Compensation for revenue losses from optional disregards is not called for under the 1998 legislation, which may discourage many housing authorities from using them. Such optional policies have rarely been used in the past largely for this reason (Devine, Rubin, and Gray, 1999).

Knowing that most housing authorities would not willingly gamble that the incentives would pay off in terms of higher rents over time but wanting to encourage experimentation with bold new approaches, HUD agreed to cover the costs of revenue losses resulting from the Jobs-Plus rent policies. These losses are measured as the difference between (1) the sum of total rent revenues plus operating subsidies when determined under traditional rules, and (2) the sum of these with Jobs-Plus rules in effect.

The following sections describe the major strategies used by the Jobs-Plus sites and highlight some of the advantages and disadvantages of these different approaches. Because most sites are using a combination of strategies, this presentation is organized by type of strategy rather than by site. However, the vignettes that are interspersed provide a more holistic description of the combination of approaches being tried in each location. The discussion looks first at these changes in rent policies:

- Earnings disregards,
- Rent freezes,
- Flat or fixed rents,
- Lower ceiling rents, and
- Reductions in the proportion of income to be charged in rent.

The discussion then turns to changes outside of normal rent calculation rules, to consider such factors as escrow accounts to encourage asset accumulation, bonuses to reward job entry and job retention, and subsidies to working families for transportation costs. Table 2 presents a summary of the plans across all sites.

A. Changes to the Rent Rules

1. Rent Freeze or 100 Percent Earnings Disregard

A "rent freeze" fixes the resident's monthly rent at its current level for a certain period of time provided he or she remains employed. It has the same effect as a 100 percent disregard of new earnings, and it is designed to benefit families making the transition to work. Allowing a resident to keep all of his or her increased income due to new earnings without raising their rent might be especially helpful during the first few months of employment, when he or she may face new work-related expenses (such as paying for new clothing) that are not otherwise subsidized. It may also help cement the resident's commitment to working while he or she waits to receive job-related wage gains or acquire enough experience to qualify for a higher-paying position.

The Los Angeles and Seattle Jobs-Plus sites make use of rent freezes in their overall incentives plans. In Los Angeles, rents are frozen for the first 18 months after the start of the Jobs-Plus incentives plan, then in a second stage and remaining in effect for the balance of the demonstration, they are fixed at a level that reflects the average rent paid by working and nonworking residents (who are not exempt from TANF work requirements) in the two developments prior to Jobs-Plus. During the initial period, residents who begin working continue to pay the same rent they had paid prior to taking a job. Residents who were already employed before the new rent policy went into effect could have their rents reduced if the frozen rent would be higher than the fixed-rent levels that begin in the second stage (as explained below). Thus, these

Table 2

Cross-Site Summary of Jobs-Plus Rent Incentives Features

Incentive	Baltimore	Chattanooga	Dayton	Los Angeles	St. Paul	Seattle
Rent freeze (or 100% disregard of new earnings) Rent is fixed at its pre-Jobs-Plus level for a certain period.				■		■
100% disregard of all earnings Rent for a certain period is based only on welfare income minus standard disregards.					■	
Flat/fixed rent steps Rent is set to a fixed level that does not vary with income and is increased to a new fixed level every year or two.			■	■	■	■
Income-based formula, with rent set to a lower percentage of adjusted income Rent is set to 10% or 20% of adjusted income.	■	■				
Reduced ceiling rent The maximum rent a resident can pay under an income-based formula is reduced.	■	■				
Escrow accounts Part of resident's rent payments are deposited into a savings account, which may be interest-bearing.	■					■
Rent credits Residents receive rent credits for joining Jobs-Plus or for each month they work.				■	■	
Transportation assistance Direct assistance with transportation costs through free or low-cost van programs or a deduction for transportation costs when calculating adjusted income.	■	■	■			

SOURCE: Jobs-Plus sites' incentives plans.

residents would get the lower of either the frozen rent or fixed rent. Seattle's plan freezes working residents' rent for the first two years after the resident signs up for the Jobs-Plus incentives.

The St. Paul site goes even further by disregarding not only *new* earnings, but exempting *total* earnings for the first year of its rent plan. With none of their earnings applied to the calculation of their rent, working residents at this site were required to pay rent based only on their residual welfare payments for the first 12-month period, or, if they were no longer receiving welfare, they would pay only the minimum $25 per month rent required by the housing authority.

2. Flat, or "Fixed," Rents

A flat rent — the norm in the private, unsubsidized rental housing market — fixes housing costs at a certain level for a defined period of time and does not change as a resident's income changes. When applied to public housing, the level at which the rent is fixed will determine which families benefit from it. A high flat rent might not benefit a resident with very low earnings, for example, because it could be considerably higher than what the resident would pay under the traditional (30 percent) income-based rule. But if set at the right level, a flat rent may encourage a working resident to seek a higher-paying job or a job with longer hours because rent would stay the same even after his or her earnings increased. It might also encourage other family members to work, since their additional earnings would not affect the family's rent.

Most Jobs-Plus sites incorporate some form of flat rent as part of a multistep plan. Seattle and St. Paul use a series of fixed rents that increase every year or two, rising ultimately to a level that is much higher than those at the other sites. The approaches used by these two sites represent attempts to prepare residents gradually to pay higher rents that are at or nearer to market rates.

Seattle's plan goes furthest in this regard. It reflects a vision of public housing as a temporary benefit for families to use as they work toward self-sufficiency. Program designers in that site explicitly set as a goal of Jobs-Plus to prepare residents to pay market rate rents eventually, anticipating that they would some day either move into private-market housing or continue to live at the development without a housing subsidy. In the program's first step, rent is frozen for the first two years of employment. It increases to a new fixed level every two years after that, until the fixed rent is equal to market-rental rates (currently $587 per month for a two-bedroom apartment) by the fourth round of increases.[33]

The St. Paul Jobs-Plus site places a cap on how high flat rents can rise. Following the 100 percent earnings disregard in the first year, a resident's rent increases to a fixed level, which is raised every year thereafter. The highest rents that can be charged are the authoritywide ceiling rents that were adopted as the new flat rents in response to the 1998 housing law. Still, peak rents in St. Paul remain well below market-rental rates.

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[33]Market-rate rents are based on rents for similar sized apartments in Seattle's Rainier Valley as determined by a real estate appraisal firm.

A potential drawback of pushing flat rents to increasingly higher levels is that this approach assumes that residents will be able to increase their earnings commensurately over time. If they cannot keep pace, their disposable incomes will fall as they pay higher and higher rents.[34]

The Jobs-Plus programs in Los Angeles and Dayton take simpler approaches. They also use fixed rents, but minimize the steps. Under Dayton's plan, rent is fixed during the first year a resident is employed, increasing to a somewhat higher fixed level thereafter. This second stage rent increase, however, is still lower than the market-rate flat rents the housing authority has adopted system wide in response to QHWRA. In Los Angeles, the initial rent is frozen for a transitional period of 18 months, and it is fixed in a single step thereafter.

In setting their own flat-rent levels, neither Los Angeles nor Dayton were seeking to reach or approach market rents. With a goal of minimizing revenue losses, the Los Angeles program set the fixed rent equal to the average rent paid in both of that city's Jobs-Plus developments before the new policies went into effect. In Dayton, where affordable housing is relatively plentiful on the private market, the goal was to keep rent increases in the Jobs-Plus development low enough to encourage working families to stay in the development. In both the Dayton and Los Angeles plans, the final-stage rents residents pay are much lower than those in Seattle or St. Paul.

3. Setting Rent at a Lower Percentage of Income than Under Traditional Rules

Under traditional HUD rules, rent is set to 30 percent of adjusted income. Simply reducing this percentage would create more of an incentive to work because residents would get to keep more of what they earned. Baltimore adopted this modified income-based approach. It lowered its rent rate to 20 percent of adjusted income (up to a ceiling-rent cap), although half of that 20 percent is placed in an escrow account for residents who work continuously and is rebated to them, as discussed below. Chattanooga also remained within the traditional income based formula. In that city, rent starts at 10 percent of adjusted income for the first 16 months after the start of the incentives. After this transitional period, rent is set at 20 percent, where it remains for the duration of the demonstration. For residents who work full-time, the Chattanooga plan also provides a weekly rent reduction to help them cover transportation costs.

4. Lower Ceiling Rents

Ceiling rents set a cap on the amount residents are required to pay for housing and are a companion to income-based rents. Without the cap, tenants who increase their earnings over time may be encouraged to leave public housing since their rents would eventually exceed those on the private market. But once the resident's income-based ceiling rent reaches the cap, its incentive value is like that of a flat rent. As such, it encourages the resident to increase his or her earnings by working more, taking a higher-paying job, or inducing other members of the family to work. To help foster that potential to increase work incentives, ceiling rents in the Baltimore Jobs-Plus site were set at just 50 percent of those prevailing elsewhere in the city's public housing developments. Housing authorities have been allowed to set ceiling rents since 1992, and

[34]Recent research finds that, although less-skilled workers do experience wage growth, it is fairly modest. See Gladden and Taber, 1999.

currently about half of them use them.[35] But because they had to be set at levels that would cover operating costs, the ceiling rents are typically so high that few residents ever reach them.

5. Safety Nets

Income-based rent policies that tie rent to earnings typically provide less incentive for public housing residents to move to higher-wage jobs— at least until earnings reach the ceiling-rent level. But the income-based plans have the advantage of providing an immediate safety net to residents who lose their jobs; when residents provide verification of a drop in income to the housing authority, their rent is lowered in turn. Fixed rents provide no automatic rent adjustment in response to a drop in earnings. To correct for that adverse result, St. Paul and Seattle allow residents who lose their jobs to pay minimum rents for as long as three months while they look for work. Furthermore, the fixed-rate plans at all of the sites, include provisions under which residents may switch to income-based rents if paying the fixed rent creates a hardship or is otherwise not to their advantage.

The option to switch from fixed-rent to income-based rent is not without restrictions, however. If residents in St. Paul, for example, choose to switch to income-based rents, they cannot switch back to Jobs-Plus incentive rents until their next annual lease renewal or recertification. In Seattle, residents who want to switch to the income-based rules must appear before a rent review board to seek approval. Seattle does offer additional help to residents who lose earnings: On-site job coaches help residents access resources such as TANF Grant Diversion funds and Unemployment Insurance, and participants may draw from an emergency reserve of up to $1,000 from their escrow funds.

6. Calendar Time Versus Relative Time

Rules that determine when precisely each rent step begins and ends are another important factor that differentiates the sites' plans. For example, steps that start and expire on specified dates are governed by "calendar time." By contrast, steps whose start date is determined by when the resident chooses to enter the Job-Plus program operate by what might be called "relative time." Thus, a resident who waits until June 1st to join Jobs-Plus under an 18-month calendar-rent rent step that began on the previous January 1st, for example, would be bound by the rules of that step for just the 12 months until the step expired. Under an 18-month relative-time step, the same resident who signs up for Jobs-Plus on June 1st would start the clock on the plan's step then.

From the resident's perspective, does it matter whether the housing authority adopts calendar-time rules or operates on a relative-time basis? In the context of the Jobs-Plus demonstration, the differences can be dramatic. In a calendar-time rent plan that has several steps of successive rent increases (such as those in the Chattanooga, St. Paul, and Los Angeles Jobs-Plus sites), for example, a resident who enrolls late will miss some or all of the more generous incentives offered in the plan's early steps. But under a relative-time sequence of rent steps (as are in place in Dayton and Seattle), the resident would cycle through each step in sequence starting from the date he or she signs up for Jobs-Plus. As a practical matter, however, it is unlikely that

[35] Devine, Rubin, and Gray, 1999.

many housing authorities that want to offer rent incentives in a non-demonstration setting would adopt a calendar-based plan except, perhaps, as part of a one-time transition to a new rent system.

B. Changes Outside of the Rent Rules

1. Escrow Accounts

Recent research has shown that the distribution of wealth in the United States is much more unequal than the distribution of income, with many low-income families having no assets or facing large debts. Accumulating savings is thought by many to be an important step on the road to self-sufficiency. A buffer of savings can protect against periods of unemployment, cover the costs of further education, help start a small business, or lead to eventual homeownership.[36]

To encourage work and savings among public housing residents, housing authorities operating a Family Self-Sufficiency program, as previously mentioned, can place the rent increases charged to residents whose incomes rise due to increased earnings into interest-bearing escrow accounts. After several years and complying with certain requirements, residents have these savings rebated to them, which they can use to pay for additional education, make a downpayment on a home, or start a business.

Two of the Jobs-Plus sites — in Seattle and in Baltimore — make use of their own version of escrow accounts. Program designers reasoned that, in addition to encouraging savings, this feature would make Jobs-Plus more attractive to residents, many of whom had expressed interest in escrow accounts during the early planning stage of the demonstration. Program planners at some of the other sites chose not use escrow accounts because they were concerned that administering the accounts would be complicated and costly.[37]

The escrow account feature operates with small differences in both sites that offer it. In Seattle, a portion of working residents' rent payments (in each rent step above the first one) is put into interest-bearing accounts up to a maximum amount of approximately $8,000 to $10,000, depending on the size of their housing unit. Residents who reach this cap or move out of the development can withdraw the funds to use for whatever purpose they choose. If they wish to withdraw from their account before the end the demonstration and are still living in the development, they must use the proceeds for an approved purpose, such as homeownership, education, or entrepreneurship.[38] In Baltimore, half of a resident's rent is placed in a non-interest-bearing escrow account for each month that they work over consecutive 12-month periods. Unless the resident is out of work for 30 days or more, these funds are rebated to the resident at the end of each period.

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[36]Oliver, 1997.

[37]Housing authorities not participating in the Jobs-Plus demonstration can set up similar kinds of escrow plans under the Family Self-Sufficiency program and have the revenue losses due to foregone rent covered by HUD's regular operating subsidies.

[38]It should be noted that these policies on escrow accounts differ from those that normally apply under the FSS program.

2. Rent Credits

The Jobs-Plus sites in Los Angeles and St. Paul offer residents credits for a reduction in rent if they work for a specified amount of time. At the end of that period, residents can apply the accumulated credit toward their rent obligation. Both sites offer also residents one month of free rent for signing up for Jobs-Plus.

In St. Paul, residents receive one month of free rent at the beginning of each year if the family had earned income in each of 12 prior months. As an additional reward to encourage job retention, the plan also provides that for each month a family has earnings, it receives a $25 credit it can apply toward rent at the end of the demonstration.

The Los Angeles program provides residents who were not working or in training prior to Jobs-Plus with a rent credit that accrues at the rate of $1/12^{th}$ of each month's rent for each month they work during the first year. Those who work all year will receive one month of free rent, making the rent credits an added incentive not only to work but to stay employed.

3. Transportation Assistance

The significant bite transportation expenses can take out of a low-wage worker's paycheck can be another impediment to working that many welfare recipients and public housing residents must overcome. Public housing authorities can take a number of steps to reduce these costs through such measures as additional earnings disregards or direct transportation assistance in the form of reduced-price bus or subway passes or a transportation program created specifically for their development.

Three Jobs-Plus sites have made transportation assistance a part of their financial incentives plan. The Dayton plan provides a van to take residents to remote work sites and makes free bus passes available until residents receive their first paycheck. Baltimore has set aside funds to subsidize transportation costs for residents who are searching for a job, engaged in training activities, or are in their first month of work. Chattanooga helps residents who work full time defray transportation costs by deducting $25 each week from the amount of income that is counted when calculating their rent.

4. Health Coverage and Child Care

The potential loss of Medicaid coverage and child care subsidies may be an important deterrent to leaving welfare for work because many low-wage jobs do not come with health insurance. Currently, welfare recipients who take jobs and leave welfare remain eligible for Medicaid for 12 months through Transitional Medicaid after which (depending on the rules of the state in which they live) they lose coverage. Their children, however, would be likely to retain coverage through recent expansions in Medicaid eligibility rules and through the Child Health Insurance Program. The Child Care and Development Fund helps residents in most states remain eligible for child care subsidies until their earnings rise to the equivalent working full time at a rate of $11 per hour.

Under both of these programs, residents face an abrupt loss in benefits that may discourage them from staying employed. Public housing authorities could provide low-cost health cov-

erage and child care services directly to help offset these losses.[39] The child care services might also benefit residents who are still eligible for subsidized care but cannot find providers who accept subsidies, or who cannot get subsidies because the supply of funds has run out. As mentioned earlier, the child care program is estimated to serve only about 15 percent of all eligible families nationwide.

Though all of the sites were encouraged to address health coverage and child care, few could afford to do so. The Dayton site went furthest by making an effort to increase the number of subsidized child care slots available to Jobs-Plus residents. It does not provide additional subsidies, however, to families who become ineligible for subsidized child care because of increased income.

V. How Jobs-Plus Rent Incentives Affect Residents' Net Income

Whether the incentives offered to residents in the Jobs-Plus sites increase employment will depend in large part on how they affect residents' incomes when they go to work. This section assesses the Jobs-Plus sites' plans against five of the key principles that MDRC and HUD set as guidelines for new incentive policies:

- **Residents should be financially better off working than not working.** A key goal of Jobs-Plus is to eliminate situations in which residents are left with less disposable income after going to work. As explained in Section I, this involves making sure residents receive the rent incentives plus the other benefits, such as child care subsidies and EITC benefits, to which they are entitled.

- **Working full time should leave residents financially better off than working part time.** An increase in earnings resulting from additional hours of work could yield little extra income if work-related expenses, higher rent, and the loss of other benefits outweigh the increase in earnings. Residents who devote more time to working should have more net income to show for it.

- **Higher-wage jobs should leave residents financially better off than lower-wage jobs.** Finding or advancing to a higher-paying job should also leave residents with more income, but this may not happen if a wage increase is not large enough to offset the loss of other benefits it triggers.

- **Work should pay more under Jobs-Plus than it does under the traditional rent rules.** Jobs-Plus is designed to make work pay better for residents of participating sites than it does for those living in other developments (including the comparison developments that will be used for the formal evaluation of Jobs-Plus's impacts on employment and other outcomes). To measure how much more it pays to work under Jobs-Plus rules, participating residents' net income is compared to what it would have been under "traditional rules." Traditional rules are assumed to be those that cap rent

[39]Where income-based rent plans are in effect, another option would be to make working residents' co-payments for health insurance provided by their employers deductible from the income that is counted for the purpose of calculating rent, in the same way that child care expenses are an allowable deduction.

at 30 percent of income, rather than the flat rents mandated under the 1998 law (see below).

- **Work should pay for different types of residents.** Each plan should create an added incentive to work for a broad cross-section of residents in the development, and not only for the typical family. For example, the plan should benefit residents in families on welfare, families not on welfare, single-parent families, two-parent families, families with few children, and families with many children. Because benefits from other programs depend on earnings, and because the rent rules interact with other benefits, it is important to assess how the plans affect different types of residents.

In order to show how choices around work can affect residents' income, the following analysis examines the cases of three hypothetical residents and assesses whether it would pay for them to work:

- "Ana" — a single parent able to earn $6 per hour;
- "Mary" — a single parent able to earn $10 per hour, and
- "Brenda" — a resident able to earn $6 per hour and who lives with her spouse who is already working full time.

The analysis shows what each resident having these characteristics would pay in rent and what her family's net monthly income after rent would be if she does not work, if she works only part time (20 hours per week), or if she works full time (40 hours per week). It also compares what her rent and net income would be if she were paying rent according to traditional income-based rules and under the Jobs-Plus rules.

Although the 1998 housing legislation requires housing authorities to adopt flat rents and to disregard income increases due to earnings, the comparison focuses on the traditional rules for several reasons. First, many of the flat rents implemented by housing authorities are set so high that most residents would likely choose to stay with the income-based rules. Second, the income disregards are targeted primarily toward TANF recipients and residents unemployed a year or longer and are not available to all residents. Third, the income disregards are time-limited, and residents who remain in their development for more than two years after they begin working will again have their income calculated according to the traditional rules or pay the flat rent. Finally, using the traditional rules as the benchmark sheds light on how some of the requirements of the new law can affect residents' incomes, and thus their incentives to go to work. Housing authorities nationwide will be starting from the traditional rules as they move to implement income disregards and flat rents.

As with the earlier example that compared a hypothetical resident's income in 1990 and 2000, the detailed analyses presented below focus on residents in Dayton; the assessment of the other sites' plans is addressed in a more summary fashion. Dayton's plan was selected as the focus because of its simplicity: it consists mainly of two fixed-rent steps. For each hypothetical resident, the findings from the Dayton plan are presented first. This discussion is followed by an assessment of how the same person would fare under the Jobs-Plus and traditional rules in the

other sites. (See Appendix Tables 3 and 4 for more complete information on the effects of each site's plan on the specified residents' net income.)

The net income estimates presented here take into account earnings, welfare benefits, and tax credits, taxes owed, child care costs, and rent. The calculations assume that the resident receives the EITC and available child care subsidies, but they exclude Jobs-Plus financial incentives, such as rent credits and escrow accounts, that fall outside of changes in rules for calculating basic rents. Thus, the differences in net income under Jobs-Plus versus traditional rules are conservative estimates of the work incentives created by some sites' plans.

CASE #1

"Ana" is a single mother with 2 young children living in Dayton. She currently receives welfare and is considering taking a job paying $6 per hour.

- **Taking this $6 per hour job would make Ana better off financially than not taking it, even under the traditional rent rules. However, her situation would improve more under Jobs-Plus rules.**

As the bars at the far left in Figure 2A show, work pays for "Ana" under the traditional rent rules. Thanks to such policies as the new TANF disregards and the expanded EITC, she has higher net income working than not working. But as the figure also shows, work pays even more under both steps of Dayton's Jobs-Plus plan. The fixed rent she would pay under Jobs-Plus is lower than what she would have to pay under traditional rent rules, lifting her net income from employment. (Put another way, the implicit tax on her earnings in this case — or the amount by which her earnings gain is offset by a reduction in benefits, an increase in work-expenses such as child care and transportation, and an increase in actual tax payments — falls from 54 percent under the traditional rules to 36 percent under the Jobs-Plus step one rules.) Indeed, her rent never rises to a very high level (see Figure 2B). This would not be true under the multistep rules other cities' plans that increase rents over time.

- **"Ana" also has a relatively greater incentive to work full time rather than part time, an advantage that is expanded under Jobs-Plus rules.**

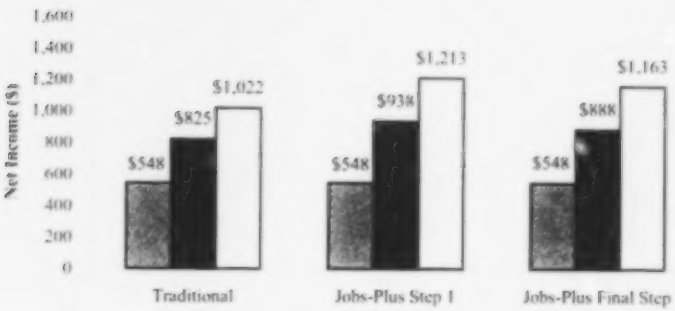
If "Ana" wishes to work, should she take a full-time or part-time job? All of the sites were encouraged to structure their incentives so that they increased the rewards of working full time. While full-time work may not the best option for all families, especially single mothers with young children, it is generally thought to be the best route to wage growth and long-term self-sufficiency. Figure 3 shows that, under traditional rules, "Ana's" net monthly income would be $197 greater if she worked full time rather than part time. Under Jobs-Plus, the advantage of full-time work would be even larger: During step 1, she would increase her net income by $275 per month by working full time rather than part time — a net gain of $78 per month (i.e., $275 – $197) over what she would have earned under the traditional rules.

Figure 2

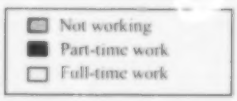
Net Monthly Income After Rent and Rent Payment Under Traditional Rules and Jobs-Plus Incentives in Dayton, Ohio: Single Parent Earning $6 per Hour[a]

Work pays more under Jobs-Plus...

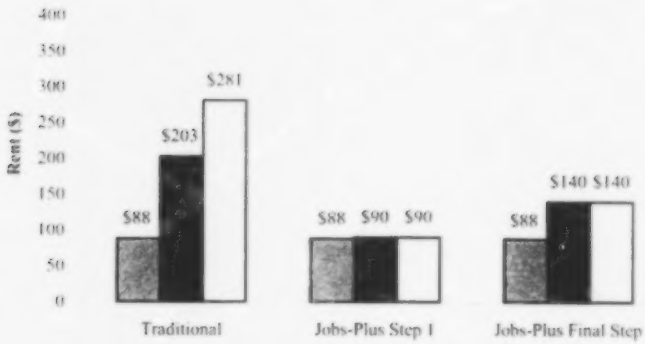
A. Net Income After Rent



...because rent does not increase in proportion to earnings.



B. Rent Payment

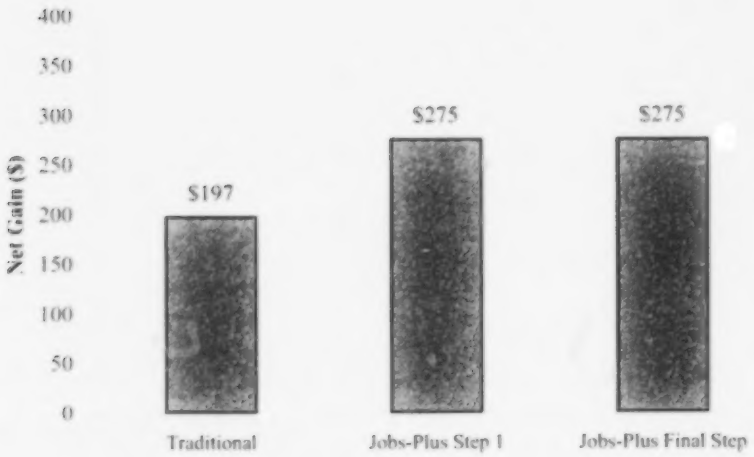


SOURCE and NOTES: See Appendix Table 3 C.

[a]Calculations are based on the example of a single parent of two children living in Dayton, Ohio, who earns $6 per hour when working.

Figure 3

Gain in Net Monthly Income After Rent from Working Full Time Rather Than Part Time Under Traditional Rules and Jobs-Plus Incentives: Single Parent Earning $6 per Hour[a]



SOURCE and NOTES: See Appendix Table 3 C.

[a]Calculations are based on the example of a single parent of two children living in Dayton, Ohio, who earns $6 per hour.

- **Even under traditional rules, a person like "Ana" living in other Jobs-Plus sites would almost always be better off working than not working, but she would benefit *more* under Jobs-Plus. However, during the later stages of some plans, residents may prefer the traditional rules to the high Jobs-Plus fixed rents.**

Figure 4 shows the net gain that a person like "Ana" would get by working either part time or full time under the traditional rules and under the first and under last step of the Jobs-Plus rules (see the tables in the Appendix for details). Even under the traditional rules in each of the six sites, the figures show that she is always better off working. The gain in net monthly income from taking a full-time job, as opposed to having no job at all, ranges, from $449 in Seattle to $573 in Los Angeles. The difference across sites reflects variation in prevailing welfare, tax, and child care subsidy rules, as well as how these rules interact with the traditional rent rules. If "Ana" were living in Chattanooga, for example, she would no longer be eligible for welfare when working full time at $6 per hour. This loss of welfare income would result in her being charged a rent lower than she might have to pay at public housing sites in higher-grant states where she would continue to receive some welfare benefits while working.

By working full-time at $6 per hour under Job-Plus rules instead of not working at all, "Ana" could increase her net monthly income anywhere from $591 to $819, depending on the site, as compared with a net gain of between $449 and $573 under traditional rules. St Paul's incentive is especially generous in the first year because all earnings are disregarded and her rent actually falls because it is based only on her welfare income, which also drops when she goes to work.

An exception to the general pattern occurs during the last step (years six and seven) under the Seattle Job-Plus plan, where working part time would leave a person sharing "Ana's" characteristics with *less* income if she did not work and paid rent according to the traditional rules. In that scenario, the fixed rent she would be charged while working at a part-time job would be high enough to erode the advantage of having earned income.

With the exception of the single-step Jobs-Plus plan in Baltimore, the incentives at most of the sites become less generous over time since the rents increase in each step.[40]

- **In the multistep plans, residents like "Ana" would see their net income *fall* over time as they reached higher rent levels unless they found higher-paying jobs — something the prospect of paying higher rents might encourage them to do.**

---

[40]In assessing the generosity of the plans over time, it is useful to distinguish between calendar-time and relative-time plans. For multistep plans that are based on relative time, such as those in Dayton and Seattle, residents new to Jobs-Plus will always enjoy the more generous step-one rules as their initial work incentives. For multistep plans that are based on calendar time, such as in St. Paul and Los Angeles, the incentive to enroll in Jobs-Plus and go to work is less (although still positive) in the later years of the demonstration. This occurs because in a calendar-based plan, residents who sign up for Jobs-Plus in later years start with the rent step that is in effect that calendar year. For example, a resident has less incentive to sign up for Jobs-Plus during the year in which St. Paul's last rent step is in effect, since the rent levels are much higher at that point than in earlier years.

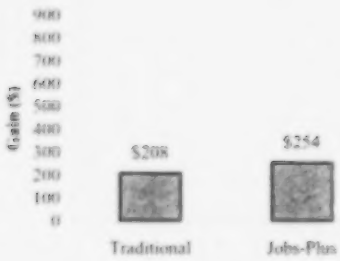
Figure 4

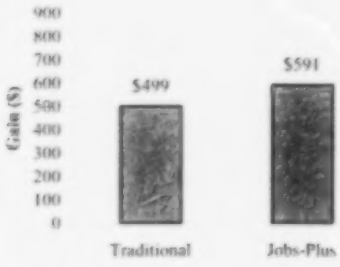
Gain or Loss in Net Monthly Income After Rent from Going to Work in Each Site, Under Traditional Rules and Jobs-Plus Incentives Single Parent Earning $6 per Hour[a]

Gain From Part-Time Work Compared to Not Working

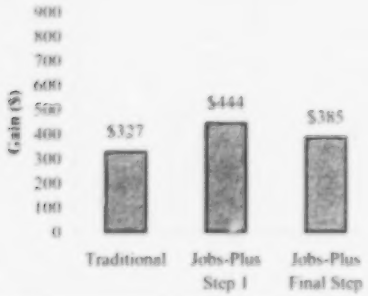
Gain From Full-Time Work Compared to Not Working

A. Baltimore

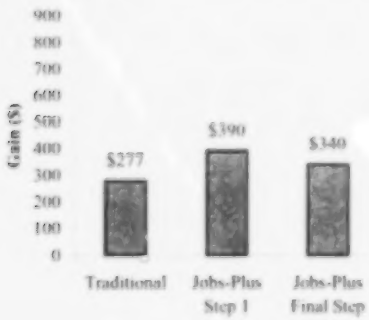


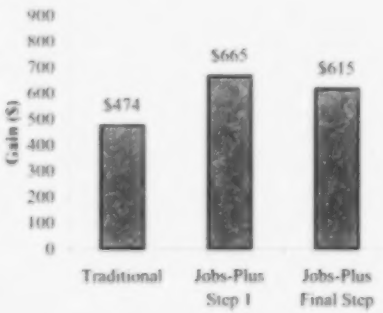


B. Chattanooga



C. Dayton





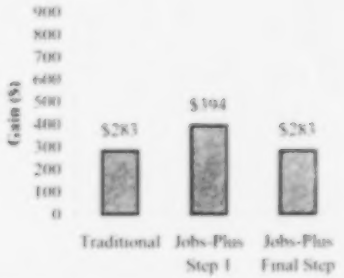
(continued

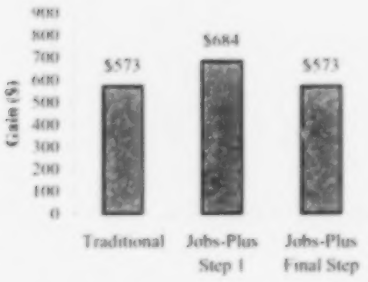
Figure 4 (continued)

Gain From Part-Time Work Compared to Not Working

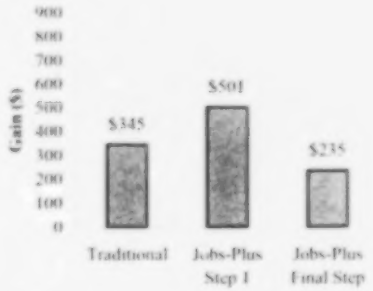
Gain From Full-Time Work Compared to Not Working

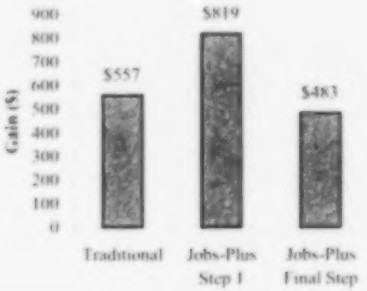
D. Los Angeles



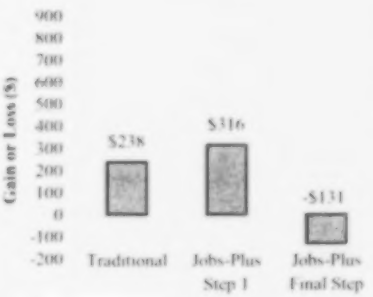


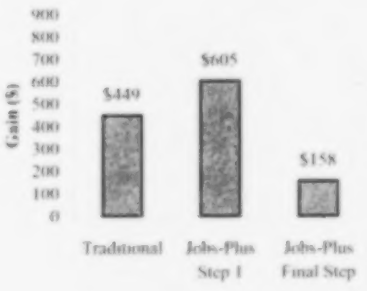
E. St. Paul





F. Seattle





SOURCE and NOTES: See Appendix Table 3.

[a]Calculations are based on a single parent of two children who earns $6 per hour when working.

If "Ana" lived in Seattle and signed up for Jobs-Plus working full-time, her net monthly income would eventually fall to $776 in the last rent step, from $1,067 under the traditional rules (see Appendix Table 3F). Consequently, the $449 in extra income she would gain from working full-time rather than not working under traditional rules would shrink to only $158 (see Figure 4F). The multistep flat-rent plans in Seattle and St. Paul stand out in this respect. Unless residents are able to move into higher paying jobs over time, their incomes would potentially be lower than they had been before Jobs-Plus. The underlying philosophy behind plans like these is that Jobs-Plus should help residents focus on increasing their earning power in order to afford unsubsidized rents. It remains to be seen whether residents can achieve enough upward mobility be able to meet this goal.

The rent increases in these plans might also create an extra incentive for a person like "Ana" to increase her earnings. To see this, consider what would happen to "Ana's" income during the second year of Jobs-Plus if she were working full time. Under Dayton's rules, her rent would stay at its current level for years two through five. If she lived in Seattle, however, her rent would be raised several times, reaching $587 by step four. In order to prevent her standard of living in Seattle from falling as her rent increases, she may be encouraged to work more hours or to find a higher paying job. Economists would refer to this as a reverse "income effect," whereby a looming reduction in income or benefits might encourage her to work more.

Whether this happens or not depends on the extent to which the residents are locked in to the higher rent of the later steps of these plans. Each of the flat-rent plans permits residents to switch back to the traditional income-based rent, but most also limit the option to do so only at the yearly lease renewal period. Most of these plans also have a safety-net feature that allows residents who lose jobs to pay minimum rents for one or two months while they search for a new job.

- **Jobs-Plus rent credits and escrow savings accounts in several sites provide an additional economic incentive for "Ana" and other residents to work steadily.**

Though they lack the impact on residents' monthly incomes that the principal Job-Plus sites' rent reform initiatives have, *rent credits* and *escrow accounts* may also increase incentives to work. In Los Angeles and St. Paul, for example, residents may benefit from rent credits that increase employment stability, above and beyond the effects created by the changes in their rent rules. In Seattle, escrow accounts may result in significant savings accumulation for some residents, and to the extent that residents consider them a benefit from the program, they may add to the work incentives created by the rent steps. But while Seattle's escrow accounts can be an important work incentive because residents get extra money for each month's work, the resident may not have access to these contributions for several years. In Baltimore, residents may forfeit their escrow savings by not working steadily.

How much might these additional features add to a resident's net income on a monthly or yearly basis? Adding the accrued monthly contributions available under Seattle's escrow-account plan would increase "Ana's" net income by about $50 per month in step two (or $600 per year) and by as much as $235 per month (or $2,676 per year) in the last step. Although this benefit most likely creates an added incentive for her to work, it may not have the same appeal as would an extra $235 in cash in the short term if she makes decisions month-to-month given limited re-

sources, as many other low-income families do. (See Appendix Table 4 for estimates of the added value of these extra features across all sites.)

CASE #2

"Mary" is a single mother with two children, living in Dayton, and receiving welfare. She has the opportunity to take a job paying $10 per hour.

- **Under traditional rules, "Mary" would benefit from going to work at a job that pays $10 per hour, but she would not necessarily benefit more by working full time rather than part time at that wage rate.**

Under traditional rules, "Mary" would be better off working part-time than not working, but unlike "Ana", she would lose income if she were to move from a part-time job to a full-time job at her wage level (see Figure 5). That is because, unlike in "Ana's" case, her EITC benefits would decrease, since her wages would put her in the phase-out range of the credit. Furthermore, her Food Stamp benefits would be reduced more dramatically. And finally, her rent, in absolute terms, would increase more because her total earnings would grow more than "Ana's" would by taking on an extra 20 hours of work per week. This combined loss of benefits and increase in rent under traditional rules outweigh her gain in earnings. (Given these realities, "Mary" might opt to pay Dayton's authority-wide flat rent, which would likely be set below $444 per month, a level that would make full-time work pay more than part-time work.)

- **"Mary" would benefit more from work under Jobs-Plus than under traditional rules, and she would have a greater incentive to work full time rather than part time.**

Jobs-Plus can help correct some of the disincentives that "Mary" would otherwise face in taking a $10 per hour job on a full-time rather than a part-time basis (see Figure 5A and Figure 6). As can be seen in step 1, her monthly income from working full time would be $157 higher than she would earn from part-time work. Under traditional rules, moving to full time work would cost her $32 per month. Because her rent does not increase under Jobs-Plus rules, "Mary's" net income would be high enough — at least temporarily — to more than make up for the non-housing benefits she would lose by choosing to work full-time (see Figure 5B). Once her wage reaches $11 per hour, however, she would likely lose eligibility for subsidized child care if she works full time even under Jobs-Plus rules. Although some working mothers may not use paid care, the consequences for residents of an abrupt loss in subsidies is one of the reasons the sites were encouraged to include additional child care assistance as part of their incentive plans.

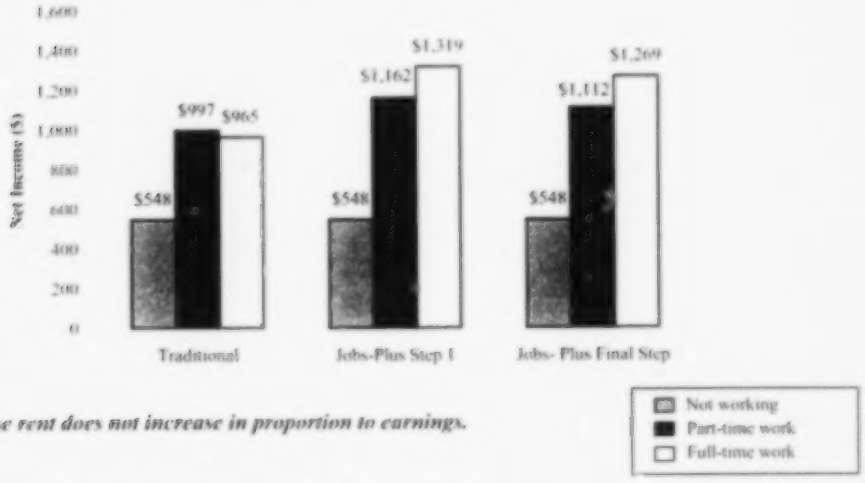
- **If "Mary" had moved up to her $10 per hour job from one like "Ana's" paying only $6 per hour, she would *lose* net income under traditional rent rules. Under Jobs-Plus, by contrast, her net income would rise.**

Figure 5

Net Monthly Income After Rent and Rent Payment Under Traditional Rules and Jobs-Plus Incentives in Dayton, Ohio: Single Parent Earning $10 per Hour[a]

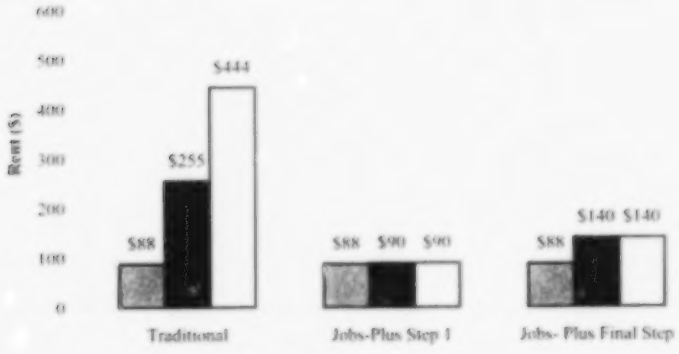
Work pays more under Jobs-Plus...

A. Net Income After Rent



...because rent does not increase in proportion to earnings.

B. Rent Payment

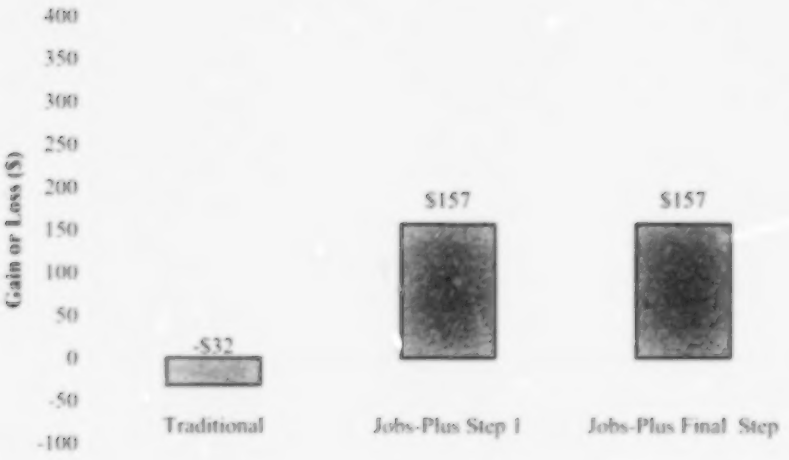


SOURCE and NOTES: See Appendix Table 3.C.

[a]Calculations are based on the example of a single parent of two children living in Dayton, Ohio, who earns $10 per hour when working.

Figure 6

Gain or Loss in Net Monthly Income After Rent from Working Full Time Rather Than Part Time Under Traditional Rules and Jobs-Plus Incentives: Single Parent Earning $10 per Hour[a]



SOURCE and NOTES: See Appendix Table 3 C.

[a]Calculations are based on the example of a single parent of two children living in Dayton, Ohio, who earns $10 per hour.

By holding down rent increases as residents' earnings rise, Dayton's Jobs-Plus incentives plan rewards wage progression more consistently that traditional rules do. This can be seen by comparing "Ana's" net income when working full-time at $6 per hour to "Mary's" net income when working at $10 per hour. Even though "Mary's" wage is higher, her monthly net income would be $57 less than "Ana's" ($965 versus $1,022) (see Figures 2A and 5A). Under Jobs-Plus step one rules, however, "Mary" would net $106 *more* per month than "Ana" ($1,319 versus $1,213).[41]

- **As a resident of any of the Jobs-Plus sites, "Mary" would similarly have a greater incentive to work in a job paying $10 per hour under Jobs-Plus rules than under traditional rules.**

"Mary's" incentives to earn a higher wage are not unique to the Dayton Jobs-Plus plan. The plans at all of the sites provide incentives that are larger for residents who earn higher wages than they are for lower-wage earners (see Figure 7). This common structural characteristic may lead to bigger employment increases among more employable residents who can command higher wage rates and encourage residents to move from lower to higher wage jobs. Conversely, the plans provide fewer benefits to those with the lowest incomes. This difference is exacerbated over time in the rent step plans, since residents who cannot increase their earnings over time will face higher and higher rents or drop out of the rent-incentives program.

Although the majority of families in the Jobs-Plus sites are single parents with children, a few sites have a fair number of two-parent families where both parents are of working age. What is the financial incentive for both parents to work? "Brenda's" case provides some insight.

> **CASE #3**
>
> ***"Brenda" lives with her spouse and two children. Her spouse works full time, and the family receives welfare and Food Stamps benefits. She is considering taking a job paying $6 per hour.***

- **Under traditional rules, the net income for "Brenda's" family will decrease if "Brenda" goes to work; under Jobs-Plus, it will increase, but only if the job were full-time.**

Figure 8 shows the effects on rent and net family income if "Brenda" does not work, if she works part time, and if she works full time. Under the traditional rules, it does not pay for her to take either a part-time or full-time job; in both cases, net family income falls, mainly because Food Stamps and EITC benefits would be reduced and rent would increase. (A reduction in welfare benefits does not

[41]Note that it is not necessary for the resident to gain income in order for Jobs-Plus to create an extra incentive — relative to traditional rules — to take a higher wage job. A resident moving from a $10 per hour job to a $12 per hour job, for instance, would probably lose some income because she would no longer qualify for child care subsidies. But she would lose less under Jobs-Plus because her rent would still be less than it would have been under the traditional rules.

Figure 7

Gain in Net Monthly Income After Rent from Going to Work in Each Site, Under Traditional Rules and Jobs-Plus Incentives: Single Parent Who Earns $10 per Hour[a]

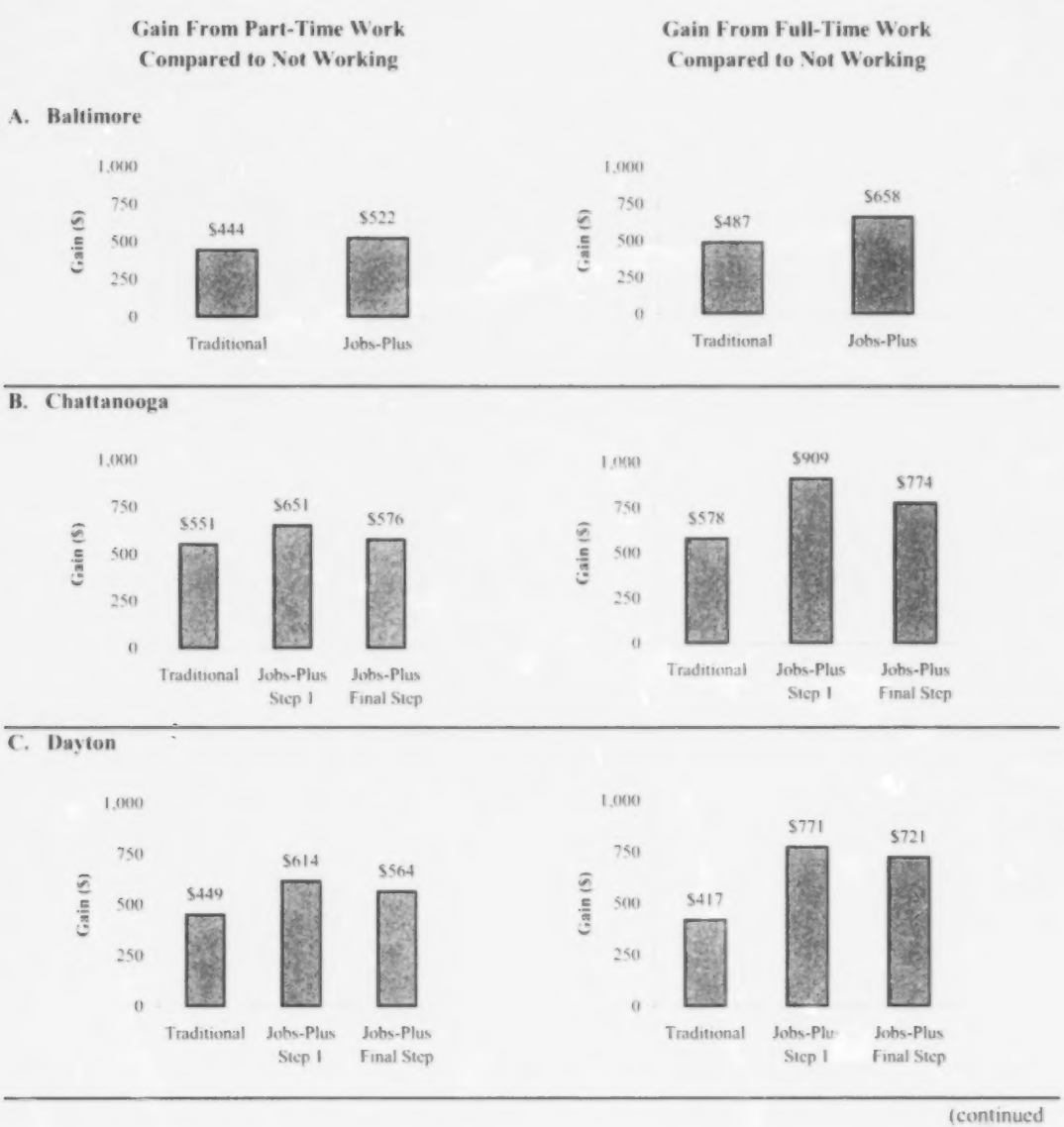


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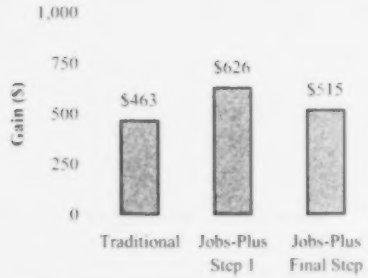
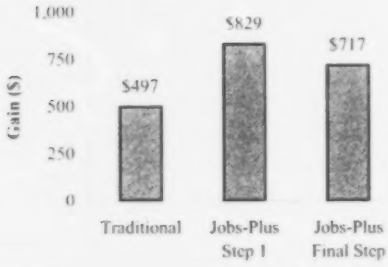
Figure 7 (continued)

Gain From Part-Time Work Compared to Not Working

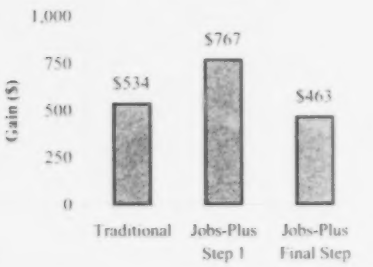
Gain From Full-Time Work Compared to Not Working

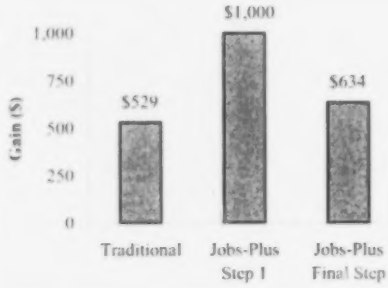
D. Los Angeles



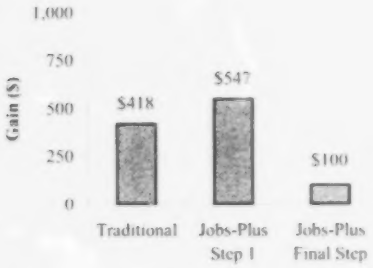


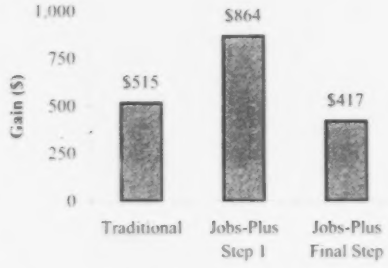
E. St. Paul





F. Seattle





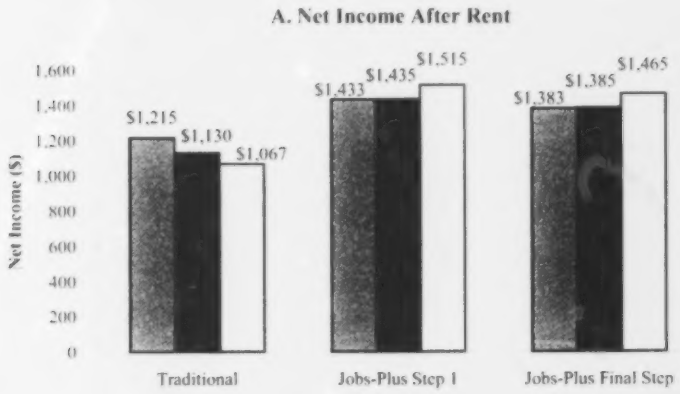
SOURCE and NOTES: See Appendix Table 3.

[a]Calculations are based on a single parent of two children who earns $10 per hour when working.

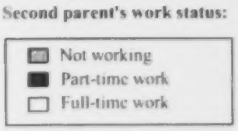
Figure 8

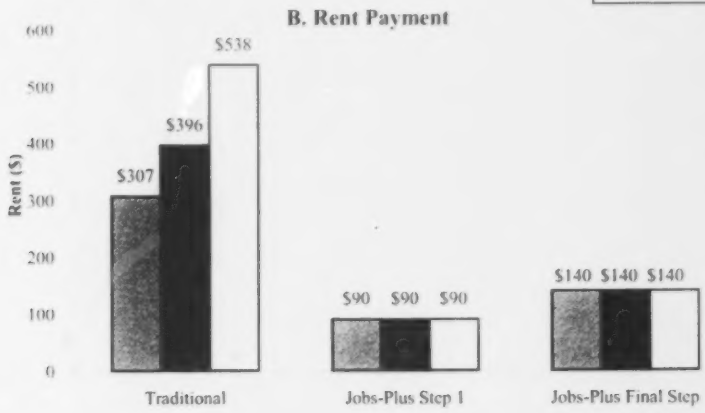
Net Monthly Income After Rent and Rent Payment Under Traditional Rules and Jobs-Plus Incentives: Two-Parent Household With Both Parents Earning $6 per Hour[a]

Work pays more under Jobs-Plus...



...because rent does not increase in proportion to earnings.





SOURCE and NOTES: See Appendix Table 3 C.

[a]Calculations are based on the example of two parents of two children living in Dayton, Ohio, where the first parent always works full time for $6 per hour and the second parent earns $6 per hour when working.

figure prominently in this scenario, because with one parent working full time, they were quite low.) This outcome would be similar to that of a single parent earning a high wage: As earnings increase to a fairly high level, the family not only loses welfare and Food Stamps benefits but also EITC benefits, since they are in the phase-out range of the credit.

Jobs-Plus fixes this problem to some extent. Because one parent is already working, the family receives the Jobs-Plus flat rent whether "Brenda" works or not. But Jobs-Plus does not create incentives for "Brenda" to accept any job. As can be seen in Figure 8, her family is not better off under either step one or step two if she takes a part-time job; total household income increases only if she takes a full-time job. As Figure 9 shows, she would lose income moving from part-time to full-time work under the traditional rules, but gain income under Jobs-Plus.

- **Though "Brenda" has a greater incentive to work under Jobs-Plus, the lower rent her family would pay under Jobs-Plus also makes it easier for her (or her spouse) to stop working — or to work less — without making the family worse off than it would have been under the traditional rent rules.**

From one perspective, Jobs-Plus increases the incentive for "Brenda" to work because, as previously noted, the family gains more (or losses less) net income relative to the traditional rules.[42] At the same time, Jobs-Plus rent rules also create a disincentive for her (or her spouse) to work. As long as one parent is employed, the family is eligible to pay the new flat rent, which in the case of "Brenda's" family would reduce rent from $307 per month to just $90 once they sign up. Because the Jobs-Plus rent decrease helps boost the family's net income, however, the second earner may feel less need to work. Recall that the evaluations of financial incentives in non-Jobs-Plus welfare-to-work programs found that many second earners cut back their hours of work after the family was given more generous benefits (see Section II). Thus, had "Brenda" not worked prior to Jobs-Plus, she may not be encouraged to do so after Jobs-Plus. If she were inclined to work anyway, the additional incentives provided by Jobs-Plus may encourage her to work less than she might have been prepared to; she may choose, instead, to devote more time to childrearing or other family responsibilities.

Simply for enrolling in the program, "Brenda's" family also receives a "windfall" in the form of an increased housing subsidy (or a reduction in rent). Windfalls occur to some extent in all types of incentive programs. For example, the EITC encourages many people to go to work, but it also provides substantial benefits to those who were already employed or who would have worked anyway. Providing a windfall may not be problematic if one of the program goals is to reduce poverty, but as will be discussed later, it does have implications for program costs.

The circumstances of "Brenda's" example would be similar at other Jobs-Plus sites (see Appendix Table 3). Work usually pays more under the Jobs-Plus rules than under the traditional rules, but the lower rents in Jobs-Plus create the potential for some parents to cut back on working hours. In St. Paul, with its first-step 100 percent earnings disregard, rent would drop from $296 per month to just $25 for a family with one working parent. In the multistep plans, any potential incentive for second parents to work less will be reduced over time as the rents increase.

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[42]If she were to consider taking a job that paid a higher wage, say $10 per hour, the extra incentive created by Jobs-Plus is relatively bigger, as it was for single parents earning higher versus lower wages. See Appendix Table 3 for rent and income in this case.

Figure 9

Gain or Loss in Net Monthly Income After Rent from Working Full Time Rather Than Part Time Under Traditional Rules and Jobs-Plus Incentives: Two-Parent Household With Both Parents Earning $6 per Hour[a]

SOURCE and NOTES: See Appendix Table 3 C.

[a]Calculations are based on the example of two parents of two children living in Dayton, Ohio, where the first parent is always working full time for $6 per hour and the second parent earns $6 per hour when working.

* * * *

Beyond evaluating the effects of Jobs-Plus on the income of the three hypothetical residents summarized in Table 3, it is important to consider two other types of residents – the single mother who is not working and not receiving welfare and the single mother who was working prior to the start of Jobs-Plus (whether she received welfare or not). In the first instance (analyzed in Appendix Table 3), some parents in each development were not on welfare when Jobs-Plus started, and others will eventually leave the rolls—in part because of time limits on welfare benefits. Under the traditional rules, those residents have a big incentive to go to work, since there are no welfare benefits to lose as they begin to earn. Jobs-Plus increases this incentive for the group to work, especially in full-time jobs.

In situations where a single mother was working before the Jobs-Plus demonstration began, how incentives are structured may have a major influence on employment decisions — an influence that is not limited to Jobs-Plus. Under the 1998 housing law, housing authorities are encouraged to admit higher-income, working families into developments while at the same time formulating rent policies that encourage existing residents to work. For the resident who is a working single mother who signs up for Jobs-Plus, rent will fall. She may view this either as an opportunity to sustain her work effort or to cut back her hours (as in the two-parent family example). As Appendix Table 3 shows, if she were making $10 per hour, her net monthly income working part-time under Jobs-Plus rules would be greater than if she worked full-time under traditional rules. This income effect will diminish over time, however, as she progresses through the higher rent steps.

All of the Jobs-Plus plans have the potential to increase employment because they increase the payoff to work. They also correct at least two important deficiencies of traditional rent rules by assuring that full-time work will pay more than part-time work more consistently and that higher-wage jobs will leave residents with more net income than lower-wage jobs. Some plans create larger incentives than others, and some provide for rent credits and other non-rent features that may also strongly influence residents' behavior. The size of the incentives created by the plans helps determine how many families are encouraged to work and what the plans ultimately cost. Each plan also increases work incentives for residents who are lower-wage earners, higher-wage earners, and earners in two-parent families, although there are some differences in the types of incentives they create for residents of each type. For example, the incentives tend to be greater for higher-wage earners, and the plans may either increase or reduce work effort of second earners in two-parent families or among single parents who were working before the demonstration started. The formal evaluation of the Jobs-Plus will attempt to assess how different types of families respond to the program's work incentives.

VI. How Jobs-Plus Incentives Could Affect Housing Authority Revenues

An important premise underlying Jobs-Plus is that if the program increases levels of employment and earnings among residents in the targeted developments it should also increase the housing authorities' total rent revenues at those developments, at least over time. However, as this section illustrates, the degree to which the program affects rent revenues will depend on how generously its financial incentives reduce the rents that residents are charged and how residents respond to those lower housing costs. (In keeping with the focus throughout this paper, the com-

Table 3

Gain or Loss in Net Monthly Income After Rent When Working Under Jobs-Plus Rules Versus Traditional Rules

	The Range Across Jobs-Plus Sites for Jobs-Plus Step 1 and Jobs-Plus Final Step											
	Baltimore[a]		Chattanooga		Dayton		Los Angeles		St. Paul		Seattle	
Monthly Estimates ($)	Step 1	Final Step	Step 1	Final Step	Step 1	Final Step	Step 1	Final Step	Step 1	Final Step	Step 1	Final Step
Scenarios												
Case 1: Ana												
Single parent earning $6 per hour												
If working part-time	46	46	117	58	113	63	111	0	156	-110	156	-291
If working full-time	92	92	188	109	191	141	111	0	262	-42	156	-291
Case 2: Mary												
Single parent earning $10 per hour												
If working part-time	78	78	100	25	165	115	163	52	233	-71	349	-98
If working full-time	171	171	331	196	354	304	332	220	471	105	349	-98
Case 3: Brenda[b]												
Married parent earning $6 per hour; spouse working full-time, earning $6 per hour												
If working part-time	n/a	n/a	n/a	n/a	305	255	193	193	406	102	n/a	n/a
If working full-time	n/a	n/a	n/a	n/a	448	398	325	325	555	251	n/a	n/a

SOURCE and NOTES: See Appendix Table 3.

[a]The program in Baltimore only has one step, which is reflected in "Step 1" and "Final Step".

[b]This case was only examined in three sites – Dayton, Los Angeles, and St. Paul – where there is a substantial number of two-parent families.

parison in this section is between Jobs-Plus and traditional rent rules rather than the new rent policies established under QHWRA.)

One immediate effect of the plans will be to reduce rent revenues collected from residents who were already working prior to the implementation of the Jobs-Plus rent incentives compared to what those residents would pay under traditional rent rules. However, aggregate rent revenues may increase if non-employed residents subsequently go to work and begin paying higher rents than they would have paid as non-workers.[43] Thus, the plans are likely to increase rent receipts if they generate and sustain a lot of new employment, but they will likely decrease revenues if there is extensive "windfall" without much new employment. As previously mentioned, one of the advantages sites participating in the Jobs-Plus demonstration enjoy is the assurance that they are "held harmless" from any loss in revenues caused by their incentives. HUD adopted this policy specifically to encourage the sites to experiment with new rent policies.[44] What ultimately happens to revenues in these sites will be important for other housing authorities to consider as they implement the mandatory changes in rent rules called for by the 1998 public housing reform law and consider adopting optional policies as well.[45]

Figure 10 illustrates the Dayton plan's potential effects on rent revenues for a single year for a sample of 100 households, using the Jobs-Plus step two rules. In this example, it is assumed that some residents were already working at an hourly rate of $6 when Jobs-Plus started. Those residents will pay less rent under Jobs-Plus than they would have paid under the traditional rules — their rents will fall from $281 to $140 — and consequently, the housing authority will lose rent revenues on that group. At the same time, the housing authority will experience a gain in rent revenues from other residents who would not otherwise have worked but who begin working because of Jobs-Plus rules. Their rents would increase from $88 to $140. Whether the housing authority realizes an overall gain or loss depends on how many residents were already working and how many were motivated by Jobs-Plus to begin working. Thus, assuming that 20 out of 100 sample residents were already working, at least 55 more residents would have to move into jobs for Jobs-Plus to break even.

The breakeven point for housing authorities will vary across sites, since some have more residents who were already working, and some offer less generous rent reductions in their incentives plans. Housing authorities that do not reduce rents by as much as others will have to increase employment less in order to break even.

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[43]Rent revenues may also increase to the extent that the incentive plans encourage families who have higher incomes than potential new tenants to remain in the development longer than they would otherwise stay.

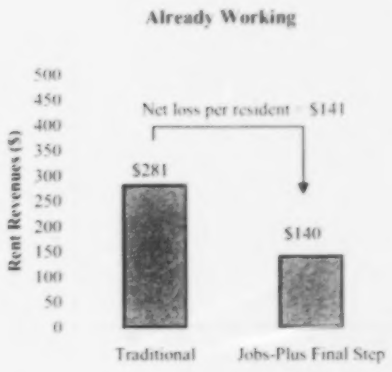
[44]If a participating housing authority's combination of rent revenues and operating subsidies for its Jobs-Plus development is lower when rents are calculated according to Jobs-Plus rules than by traditional HUD rent rules, HUD pays the housing authority the difference.

[45]For public housing nationwide, HUD has implemented an interim operating subsidy formula for 2001 to help housing authorities fund rent incentives under QHWRA. According to this formula, housing authorities receive additional operating subsidies if their revenues are decreased due to their implementation of the mandatory flat rents or mandatory earnings disregards, but they are not subsidized for revenue losses resulting from optional disregards or other financial work incentives. However, if their total rent revenue in the current year is higher than the average of the previous three years, the housing authority gets to keep half of the increase, which it could choose to invest in additional incentives or use for other purposes.

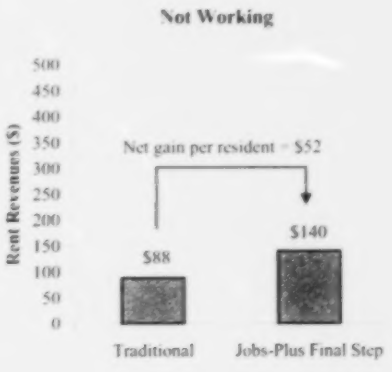
Figure 10

Potential Change in Public Housing Authority (PHA) Rent Revenues from Implementing Jobs-Plus: An Example in Dayton, Ohio[a]

For each resident who is working prior to Jobs-Plus, the PHA loses rent revenues…

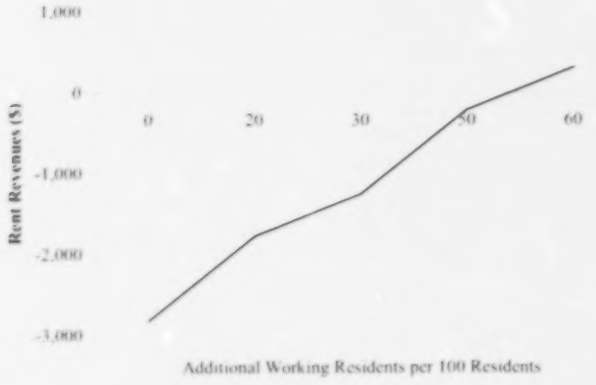


…but rent revenue rises as residents who were not working take full-time jobs.



Therefore, assuming 20 residents out of every 100 were working prior to Jobs-Plus, the PHA breaks even when 55 formerly nonworking residents take jobs.

Total PHA Gain or Loss in Rent Revenues



SOURCE and NOTES: See Appendix Table 3C.

[a]Calculations are based on the example of a single parent of two children living in Dayton, Ohio who when working, works full-time (40 hours per week) and earns $6 per hour.

VII. Conclusion

The advent of time-limited welfare has lent new urgency to the search for ways to move recipients toward self-sufficiency. Nowhere is this more relevant than in the nation's public housing developments, where joblessness and dependency are especially severe. Using financial incentives as one of its key elements, Jobs-Plus is the boldest approach to date that attempts to do this within a public housing context.

As this report has shown, public housing authorities may choose from among a variety of approaches for reforming rent rules to help make low-wage work pay. The financial incentives plans across the Jobs-Plus sites share some features in common, but they also vary in ways that reflect important differences in philosophies, priorities, and local circumstances. While each site's plan represents a distinctive attempt to create a strong inducement for steady employment, it also reflects the particular views of the local partners — especially housing authority staff and resident leaders — on a range of complicated issues and concerns. These include their perspectives on what approaches are most likely to appeal to a cross-section of residents, how to reward job retention and advancement, whether to promote asset accumulation, how to provide a safety net for residents who lose their jobs or see their earnings fall, and whether residents should eventually pay market-level rents. Consequently, some plans are more generous than others; some reduce the generosity of the incentive over time; some are much simpler than others; and some are likely to be more costly.

The diversity of Jobs-Plus plans provides an opportunity to learn from the challenges of implementing different approaches to rent reform, how residents respond to them, and how they affect housing authority rent revenues. These will all be among the topics of the continuing research on Jobs-Plus. Insights that emerge from this research will be of value to housing authorities nationwide, because similar approaches are authorized (though not necessarily funded) by the QHWRA. At the same time, many of the strategies being tested in Jobs-Plus are longer lasting or more generous and are combined with a variety of additional incentives (such as escrow accounts, rent credits, and transportation assistance) that go beyond the new ways of calculating basic monthly rent. Moreover, some of the Jobs-Plus reforms may reduce the administrative complexity and accuracy of the rent determination in public housing, while others may increase it. Lessons drawn from the variety of advantages and disadvantages of these approaches can inform continuing national and local deliberations about further ways to modify rent policies in order to encourage work.

The Jobs-Plus demonstration will ultimately provide a wealth of information on rent incentives, but the work so far raises issues for other public housing authorities and policymakers to consider:

- **There are many ways to increase work incentives in public housing, but each approach has tradeoffs.**

How each housing authority responds to the opportunities opened up by QHWRA will depend on several factors, including its own mission and philosophy and the circumstances of the local area. If housing is relatively inexpensive on the private market, for example, ceiling rents might be reduced to keep more working families in the development for longer periods of

time. If the goal is to serve the lowest income families, however, additional income disregards might be more appropriate. These policies are not mutually exclusive, and they can be combined in ways to meet several goals. They can also be phased in or out over time and targeted to certain groups of tenants. To minimize revenue losses, for example, one option might be to target the incentives to residents who are least likely to work without extra inducements or assistance, although concerns about fairness would also have to be considered. In addition, housing authorities can increase work incentives through changes that are independent of the rent rules. Rent credits, escrow accounts, and help with work-related expenses, for example, might create added incentives for residents to find and keep jobs.

Each policy choice has tradeoffs. The effects of some will differ for different types of residents — those with lower earnings versus those who earn more, for example. Other policies may increase employment but eventually reduce residents' incomes if rents increase over time. And some choices will be more costly than others, with costs dependent upon the employment effects, the generosity, and how many working families reside in the development. If admissions policies are changed to bring in more working families, as is allowed under the 1998 public housing legislation, housing authorities will have to consider how this will affect the costs of a given incentives plan.

- **Non-housing policies have important effects on the financial incentive to work**

Child care subsidies, enhanced earnings disregards under the welfare rules, and EITC benefits are an important part of making work pay for low-income families. Local housing authorities should recognize the importance of these benefits when considering policies to increase employment among residents. Any policy designed to make work pay for residents should include efforts to ensure that residents are aware of and receive all of the work supports to which they are entitled.[46]

- **Effective communication and marketing the incentives may be essential.**

Evidence from other research suggests that if employment is to increase residents must be made to understand the incentives and believe that they make work pay. Housing authorities should consider strategies to sell the incentives to residents and provide tools, such as the Web-based "Income Calculator" created for the Jobs-Plus sites, that can help staff explain them.

- **Harder-to-employ residents may need services in addition to incentives in order to find and keep jobs.**

Some Jobs-Plus staff have reported that the initial program enrollees were residents who were already working or who could easily find jobs. Of those residents who remain unemployed,

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[46] The Center on Budget and Policy Priorities spearheads a national outreach campaign to promote the EITC. Social service organizations, labor unions, employers, faith-based groups, community and neighborhood organizations, and government agencies are part of this effort to inform low-income workers about the credit and how to receive it. As part of its campaign, the Center produces an EITC community outreach kit. The kit contains fact sheets, posters, flyers in English and Spanish, and a strategy guide filled with ideas PHAs can use to help residents get the EITC benefits they have earned. View the Campaign 2001 kit at www.cbpp.org/eic2001/index.html. To get a free copy of the new community outreach kit for the 2002 Campaign, call the Center on Budget and Policy Priorities at (202) 408-1080, FAX (202) 408-1056, or e-mail to eickit@cbpp.org.

some are more hesitant to be served by Job-Plus despite the offer of incentives, and some are less able to take up the offer of incentives due to other impediments to working. In designing policies to increase employment, an important challenge for housing staff will be to determine how best to combine incentives and other Jobs-Plus services to help harder-to-employ residents find and keep jobs.

* * * *

Future research from the Jobs-Plus demonstration will explore in depth how the sites are marketing the new work incentives to residents and how well residents understand and how highly they value the new policies. It will also assess what residents see as the pros and cons of the variety of plans and features being tried across the sites, as well as how much the incentives appear to influence residents' decisions about participating in Jobs-Plus and going to work— or remaining employed. Ongoing research will also explore how the incentives affect housing authority rent revenues. The findings and lessons from Jobs-Plus will thus inform the continuing debate over the ways in which rent policies can or should be used to make work pay for public housing residents.

Lessons learned from the evaluation may also be relevant to debates over how to increase employment among participants in HUD's Section 8 program, which provides subsidies for low-income families in privately owned housing. Rent in that program is still set according to the traditional, 30-percent-of-income rules, meaning that Section 8 families face similar rent-based work disincentives that public housing residents have traditionally faced.

Appendix

Appendix Table 1

Selected Characteristics of Households and Household Heads Living in Jobs-Plus Developments in 1997

Characteristic	Baltimore	Chattanooga	Dayton	Los Angeles		St. Paul	Seattle
				Imperial Courts	William Mead Homes		
Characteristics of Heads of Households							
Race/ethnicity (%)							
Black, non-Hispanic	99	94	98	78	6	24	42[a]
White, non-Hispanic	0	3	1	2	1	5	12
Hispanic	0	3	0	20	80	3	0
Asian/Pacific Islander	0	0	0	0	13	65[c]	43
Other	0	0	0	0	0	3	3
Female (%)	79	85	88	89	60	65	74
Elderly[e] (%)	16	12	8	8	15	8	16
Disabled (%)	30	27	22	16	17	27	31
Characteristics of Households							
Number of adults in household (%)							
One	83	89	89	71	44	46	63
Two or more	17	11	11	29	56	54	37
Number of children in household (%)							
None	56	35	32	23	34	10	34
One	22	22	29	25	20	13	29
Two	14	23	22	25	21	17	18
Three or more	8	20	17	27	24	59	18
Length of residence (%)							
Less than one yea	5	15	18	6	2	6	9
More than one yea but less than ten years	72	70	62	78	74	72	89
Ten years or more	23	15	20	16	24	22	2
Number of occupied units	528	423	485	450	412	298	467

SOURCE: MDRC calculations based on data from tenant rosters provided by housing authorities in October 1997.

NOTES: Distribitions may not total 100 percent because of rounding.

[a]Includes a large proportion of East African immigrants.

[b]Includes primarily Southeast Asian immigrants from Cambodia and Vietnam.

[c]Includes primarily Southeast Asian immigrants (mostly Hmong).

[d]Includes groups such as Native Americans/Alaskans and a small number of people for whom the data are ambiguous.

[e]People 62 years of age or older.

Appendix Table 2

Income Sources of Households in Jobs-Plus Developments in 1996

Income Source	Baltimore	Chattanooga	Dayto	Los Angeles		St. Paul	Seattle
				Imperial Courts	William Mead Homes		
Percentage of households having any income from:							
Wages	25	20	19	15	42	16	20
AFDC	46	73	56	70	46	n/a	52
Welfare[a]	85	90	82	93	75	87	85
Number of housing units	879	362	510	481	414	297	481

SOURCE: Housing authority data reported to MDRC in 1996 as part of their Jobs-Plus application.

NOTES: [a]Includes Aid to Families with Dependent Children (AFDC), state General Assistance (GA) payments, and Supplemental Security Income (SSI).

[b]Includes scattered-site housing units affiliated with Gilmor Homes, which the Housing Authority of Baltimore City included in the data.

Appendix Table 3

Net Monthly Income After Rent and Rent Payment Under Traditional Rules and Jobs-Plus Incentives, by Site

A. Baltimore

	Traditional		Jobs-Plus[a]	
	Income	Rent	Income	Rent
Single parent with two children ($6 per hour)				
Net Monthly Income ($)				
Not working	542	83	542	83
Part-time work	750	138	796	92
Full-time work	1,041	276	1,133	184
Single parent with two children ($10 per hour)				
Net Monthly Income ($)				
Not working	542	83	542	83
Part-time work	986	233	1,064	155
Full-time work	1,029	445	1,200	274
Single parent with two children ($6 per hour)				
Food Stamps/No welfare				
Net Monthly Income ($)				
Not working	335	0	335	0
Part-time work	739	130	782	87
Full-time work	1,041	276	1,133	184

(continued)

Appendix Table 3 (continued)

B. Chattanooga

	Traditional		Jobs-Plus Step 1		Jobs-Plus Final Step	
	Income	Rent	Income	Rent	Income	Rent
Single parent with two children ($6 per hour)						
Net Monthly Income ($)						
Not working	473	32	473	32	473	32
Part-time work	800	176	917	59	858	117
Full-time work	1,029	267	1,217	79	1,138	158
Single parent with two children ($10 per hour)						
Net Monthly Income ($)						
Not working	473	32	473	32	473	32
Part-time work	1,024	261	1,124	75	1,049	149
Full-time work	1,051	392	1,382	135	1,247	271
Single parent with two children ($6 per hour) Food Stamps/No welfare						
Net Monthly Income ($)						
Not working	310	25	310	25	310	25
Part-time work	726	120	806	40	766	80
Full-time work	1,029	267	1,217	79	1,138	158

(continued)

Appendix Table 3 (continued)

C. Dayton

	Traditional		Jobs-Plus Step 1		Jobs-Plus Final Step	
	Income	Rent	Income	Rent	Income	Rent
Single parent with two children ($6 per hour)						
Net Monthly Income ($)						
Not working	548	88	548	88	548	88
Part-time work	825	203	938	90	888	140
Full-time work	1,022	281	1,213	90	1,163	140
Single parent with two children ($10 per hour)						
Net Monthly Income ($)						
Not working	548	88	548	88	548	88
Part-time work	997	255	1,162	90	1,112	140
Full-time work	965	444	1,319	90	1,269	140
Single parent with two children ($6 per hour) Food Stamps/No welfare						
Net Monthly Income ($)						
Not working	285	50	285	50	285	50
Part-time work	714	120	745	90	695	140
Full-time work	996	262	1,168	90	1,118	140
Two parents with two children (Second parent at $6 per hour, first parent already working at $6 per hour)						
Net Monthly Income ($)						
Second parent not working	1,215	307	1,433	90	1,383	140
Second parent part-time work	1,130	396	1,435	90	1,385	140
Second parent full-time work	1,067	538	1,515	90	1,465	140
Two parents with two children (Second parent at $10 per hour, first parent already working at $6 per hour)						
Net Monthly Income ($)						
Second parent not working	1,215	307	1,433	90	1,383	140
Second parent part-time work	1,042	491	1,443	90	1,393	140
Second parent full-time work	1,194	726	1,830	90	1,780	140

(continued)

Appendix Table 3 (continued)

D. Los Angeles

	Traditional		Jobs-Plus Step 1		Jobs-Plus Final Step	
	Income	Rent	Income	Rent	Income	Rent
Single parent with two children ($6 per hour)						
Net Monthly Income ($)						
Not working	650	164	650	164	650	164
Part-time work	933	275	1,044	164	933	275
Full-time work	1,223	353	1,334	164	1,223	275
Single parent with two children ($10 per hour)						
Net Monthly Income ($)						
Not working	650	164	650	164	650	164
Part-time work	1,113	327	1,276	164	1,165	275
Full-time work	1,147	496	1,479	164	1,367	275
Single parent with two children ($6 per hour) Food Stamps/No welfare						
Net Monthly Income ($)						
Not working	335	0	335	0	335	0
Part-time work	741	132	1,208	0	933	275
Full-time work	1,057	288	1,498	0	1,223	275
Two parents with two children (Second parent at $6 per hour, first parent already working at $6 per hour)						
Net Monthly Income ($)						
Second parent not working	1,348	389	1,463	275	1,463	275
Second parent part-time work	1,271	467	1,464	275	1,464	275
Second parent full-time work	1,284	599	1,609	275	1,609	275
Two parents with two children (Second parent at $10 per hour, first parent already working at $6 per hour)						
Net Monthly Income ($)						
Second parent not working	1,348	389	1,463	275	1,463	275
Second parent part-time work	1,239	548	1,511	275	1,511	275
Second parent full-time work	1,503	807	2,035	275	1,930	275

(continued)

Appendix Table 3 (continued)

E. St. Paul

	Traditional		Jobs-Plus Step 1		Jobs-Plus Step 2		Jobs-Plus Step 3		Jobs-Plus Step 4		Jobs-Plus Final Step	
	Income	Rent	Income	Rent	Income	Rent	Income	Rent	Income	Rent	Income	Rent
Single parent with two children ($6 per hour)												
Net Monthly Income ($)												
Not working	653	136	653	136	653	136	653	136	653	653	653	136
Part-time work	998	219	1,154	63	1,102	115	1,030	187	959	258	888	329
Full-time work	1,210	288	1,472	25	1,382	115	1,310	187	1,239	258	1,168	329
Single parent with two children ($10 per hour)												
Net Monthly Income ($)												
Not working	653	136	653	136	653	136	653	136	653	136	653	136
Part-time work	1,187	258	1,420	25	1,330	115	1,258	187	1,187	258	1,116	329
Full-time work	1,182	496	1,653	25	1,563	115	1,491	187	1,420	258	1,287	329
Single parent with two children ($6 per hour)												
No Food Stamps/No welfare[b]												
Net Monthly Income ($)												
Not working	0	25	0	25	0	25	0	25	0	25	0	25
Part-time work	543	132	650	25	560	115	488	187	417	258	346	329
Full-time work	1,008	288	1,271	25	1,181	115	1,109	187	1,038	258	935	329
Two parents with two children (Second parent at $6 per hour, first parent already working at $6 per hour)												
Net Monthly Income ($)												
Second parent not working	1,419	296	1,689	25	1,599	115	1,527	187	1,456	258	1,385	329
Second parent part-time work	1,296	431	1,702	25	1,612	115	1,540	187	1,469	258	1,398	329
Second parent full-time work	1,295	581	1,850	25	1,760	115	1,688	187	1,617	258	1,546	329
Two parents with two children (Second parent at $10 per hour, first parent already working at $6 per hour)												
Net Monthly Income ($)												
Second parent not working	1,419	296	1,689	25	1,599	115	1,527	187	1,456	258	1,385	329
Second parent part-time work	1,284	535	1,794	25	1,704	115	1,632	187	1,561	258	1,490	329
Second parent full-time work	1,375	761	2,111	25	2,021	115	1,949	187	1,878	258	1,807	329

(continued)

Appendix Table 3 (continued)

F. Seattle

	Traditional		Jobs-Plus Step 1		Jobs-Plus Step 2		Jobs-Plus Step 3		Jobs-Plus Final Step	
	Income	Rent	Income	Rent	Income	Rent	Income	Rent	Income	Rent
Single with two children ($6 per hour)										
Net Monthly Income ($)										
Not working	618	140	618	140	618	140	618	140	618	140
Part-time work	856	218	934	140	839	235	634	440	487	587
Full-time work	1,067	296	1,223	140	1,128	235	923	440	776	587
Single with two children ($10 per hour)										
Net Monthly Income ($)										
Not working	618	140	618	140	618	140	618	140	618	140
Part-time work	1,036	270	1,165	140	1,070	235	865	440	718	587
Full-time work	1,133	490	1,482	140	1,387	235	1,182	440	1,035	587
Single with two children ($6 per hour)										
Food Stamps/No welfare										
Net Monthly Income ($)										
Not working	335	0	335	0	335	0	335	0	335	0
Part-time work	737	129	726	140	631	235	426	440	279	587
Full-time work	1,049	282	1,190	140	1,095	235	890	440	743	587

SOURCES: State TANF rules, 2000 Greenbook, state and federal tax rules, state child care subsidy rules, and local PHA rent rules.

NOTES: For the components of income and expenses used for the estimates in this table, see Table 1. Table assumes that this parent needs full-time child care for both children. Part-time work is assumed to be 20 hours per week, and full-time work is assumed to be 40 hours per week. Child care costs for part time and full-time work are assumed to be $3 per hour per child for 25 and 45 hours, respectively.

The estimates do not take into account incentives outside of the basic rent rules, such as escrow accounts.

Rent payments are included in included in the calculation of net monthly income. If a single parent is not working, the calculations assume that she pays rent according to the traditional rent rules.

[a]Unlike the other sites, Baltimore has only one rent step under the Jobs-Plus incentives program.

[b]No Food Stamps and no welfare because MFIP rolls both payments into one check, and one cannot be received without the other.

Appendix Table 4

The Added Effect of Non-Rent Incentives on Net Monthly Income After Rent for a Single Parent of Two Children Who Earns $6 per Hour

	The Range Across Jobs-Plus Sites for Jobs-Plus Step 1 and Jobs-Plus Final Step											
	Baltimore[a]		Chattanooga		Dayton		Los Angeles		St. Paul		Seattle	
Estimates ($)	Step 1	Final Step	Step 1	Final Step	Step 1	Final Step	Step 1	Final Step	Step 1	Final Step	Step 1	Final Step
Gain in monthly income from Jobs-Plus versus traditional rules excluding escrow and rent credits[b]	92	92	188	109	191	141	111	0	262	-42	156	-291
Escrow Savings	92	92	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0	235
Rent credits	n/a	n/a	n/a	n/a	n/a	n/a	14	0	0	52	n/a	n/a
Gain in monthly income from Jobs-Plus versus traditional rules including escrow and rent credits	184	184	188	109	191	141	125	0	262	10	156	-56

SOURCES: State TANF rules, 2000 Greenbook, state and federal tax rules, state child care subsidy rules, and local PHA rent rules.

NOTES: For the components of income and expenses used for the estimates in this table, see Table 1. Table assumes that this parent needs full-time child care for both children. Results are for full-time work, assumed to be 40 hours per week. Child care costs $3 per hour per child for 45 hours. For St. Paul, the table assumes the resident worked in each month of the previous year in order to qualify for one month's free rent, which is valued in the table as 1/12th of one month's rent.

[a]The Jobs-Plus program in Baltimore only has one step, which is reflected in "Step 1" and "Final Step."

[b]The numbers in this row match those presented in Table 3, Case 1: Ana (If working full-time).

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Recent Publications on MDRC Projects

Note: For works not published by MDRC, the publisher's name is shown in parentheses. With a few exceptions, this list includes reports published by MDRC since 1999. A complete publications list is available from MDRC and on its Web site (www.mdrc.org), from which copies of MDRC's publications can also be downloaded.

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How Welfare and Work Policies Affect Employment and Income: A Synthesis of Research. 2001. Dan Bloom, Charles Michalopoulos.

ReWORKing Welfare: Technical Assistance for States and Localities

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Work First: How to Implement an Employment-Focused Approach to Welfare Reform. 1997. Amy Brown.

Business Partnerships: How to Involve Employers in Welfare Reform. 1998. Amy Brown, Maria Buck, Erik Skinner.

Promoting Participation: How to Increase Involvement in Welfare-to-Work Activities. 1999. Gayle Hamilton, Susan Scrivener.

Encouraging Work, Reducing Poverty: The Impact of Work Incentive Programs. 2000. Gordon Berlin.

Steady Work and Better Jobs: How to Help Low-Income Parents Sustain Employment and Advance in the Workforce. 2000. Julie Strawn, Karin Martinson.

Beyond Work First: How to Help Hard-to-Employ Individuals Get Jobs and Succeed in the Workforce. 2001. Amy Brown.

Project on Devolution and Urban Change

A multi-year study in four major urban counties — Cuyahoga County, Ohio (which includes the city of Cleveland), Los Angeles, Miami-Dade, and Philadelphia — that examines how welfare reforms are being implemented and affect poor people, their neighborhoods, and the institutions that serve them.

Big Cities and Welfare Reform: Early Implementation and Ethnographic Findings from the Project on Devolution and Urban Change. 1999. Janet Quint, Kathryn Edin, Maria Buck, Barbara Fink, Yolanda Padilla, Olis Simmons-Hewitt, Mary Valmont.

Food Security and Hunger in Poor, Mother-Headed Families in Four U.S. Cities. 2000. Denise Polit, Andrew London, John Martinez.

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An evaluation of Florida's initial time-limited welfare program, which includes services, requirements, and financial work incentives intended to reduce long-term welfare receipt and help welfare recipients find and keep jobs.

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The Family Transition Program: Final Report on Florida's Initial Time-Limited Welfare Program. 2000. Dan Bloom, James Kemple, Pamela Morris, Susan Scrivener, Nandita Verma, Richard Hendra.

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An examination of the implementation of some of the first state-initiated time-limited welfare programs.

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An evaluation of Connecticut's statewide time-limited welfare program, which includes financial work incentives and requirements to participate in employment-related services aimed at rapid job placement. This study provides some of the earliest information on the effects of time limits in major urban areas.

Connecticut Post-Time Limit Tracking Study: Six-Month Survey Results. 1999. Jo Anna Hunter-Manns, Dan Bloom.

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An evaluation of Vermont's statewide welfare reform program, which includes a work requirement after a certain period of welfare receipt, and financial work incentives.

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An evaluation of Minnesota's pilot welfare reform initiative, which aims to encourage work, alleviate poverty, and reduce welfare dependence.

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A test of the effectiveness of a temporary earnings supplement on the employment and welfare receipt of public assistance recipients. Reports on the Self-Sufficiency Project are available from: Social Research and Demonstration Corporation (SRDC), 275 Slater St., Suite 900, Ottawa, Ontario K1P 5H9, Canada. Tel.: 613-237-4311; Fax: 613-237-5045. In the United States, the reports are also available from MDRC.

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An evaluation of Los Angeles's refocused GAIN (welfare-to-work) program, which emphasizes rapid employment. This is the first in-depth study of a full-scale "work first" program in one of the nation's largest urban areas.

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An evaluation of Ohio's Learning, Earning, and Parenting (LEAP) Program, which uses financial incentives to encourage teenage parents on welfare to stay in or return to school.

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A test of a comprehensive program of services that seeks to improve the economic status and general well-being of a group of highly disadvantaged young women and their children.

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A demonstration for unemployed noncustodial parents (usually fathers) of children on welfare. PFS aims to improve the men's employment and earnings, reduce child poverty by increasing child support payments, and assist the fathers in playing a broader constructive role in their children's lives.

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Equity 2000 is a nationwide initiative sponsored by the College Board to improve low-income students' access to college. The MDRC paper examines the implementation of Equity 2000 in Milwaukee Public Schools.

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The Manpower Demonstration Research Corporation (MDRC) is a nonprofit, nonpartisan social policy research organization. We are dedicated to learning what works to improve the well-being of low-income people. Through our research and the active communication of our findings, we seek to enhance the effectiveness of social policies and programs. MDRC was founded in 1974 and is located in New York City and San Francisco.

MDRC's current projects focus on welfare and economic security, education, and employment and community initiatives. Complementing our evaluations of a wide range of welfare reforms are new studies of supports for the working poor and emerging analyses of how programs affect children's development and their families' well-being. In the field of education, we are testing reforms aimed at improving the performance of public schools, especially in urban areas. Finally, our community projects are using innovative approaches to increase employment in low-income neighborhoods.

Our projects are a mix of demonstrations — field tests of promising program models — and evaluations of government and community initiatives, and we employ a wide range of methods to determine a program's effects, including large-scale studies, surveys, case studies, and ethnographies of individuals and families. We share the findings and lessons from our work — including best practices for program operators — with a broad audience within the policy and practitioner community, as well as the general public and the media.

Over the past quarter century, MDRC has worked in almost every state, all of the nation's largest cities, and Canada. We conduct our projects in partnership with state and local governments, the federal government, public school systems, community organizations, and numerous private philanthropies.

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